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Prof. Snavely

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****Recent developments have brought to the front the question of the stabilisation of the world's leading currencies and this important problem is arousing widespread interest. Lloyds Bank therefore proposes to publish in its* MONTHLY REVIEW *a series of articles on this question, prepared by writers of different nationalities and expressing various points of view. The first of these articles appeared in the April issue of the* REVIEW. *The Bank is not necessarily in agreement with any of the arguments or conclusions contained in any of these articles.*

The Future of the Foreign Exchanges

By J. M. Keynes.

THE problem of the foreign exchanges has been thoroughly discussed both in the pages of this REVIEW and elsewhere during the last ten years, and the main issues involved are more familiar than they were. In this country, though not abroad, the result has been, I think, to bring about a much greater measure of general agreement than existed in 1925. Opinion is, of course, far from unanimous. But it is true to-day, as it was not true until recently, that there is a body of tentative conclusions which can be fairly described as the British point of view, a point of view shared by many bankers, business men, politicians, civil servants and economists. In what follows I shall probably go, at least in details, beyond what can be claimed as agreed ground. But I believe that the general point of view, from which I endeavour to analyse this problem, is one which in this country to-day is widely spread.

I

The first condition, which must be satisfied before it is worth while to discuss permanent policy, is that the *de facto* rates of exchange, from which we start out, should be in reasonable equilibrium. It is not necessary to be very precise about this. No one now puts faith in the famous " purchasing power parity " theory of the foreign exchanges, based on index numbers. We have to consider, on the one hand, a country's balance of payments on income account on the basis of the existing natural resources, equipment, technique and costs (especially wage costs) at home and abroad, a normal level of employment, and those tariffs, etc., which are a permanent feature of national policies; and, on the other hand, the probable readiness and ability of the country in question to borrow or lend abroad on long term (or, perhaps, repay or accept repayment of old loans), on the average of the next few years. A set of rates of exchange, which can be established without undue strain on either side and without large movements of gold (on a balance of transactions), will satisfy our condition of equilibrium. This does not mean that a set of rates can be found which can be relied on to persist indefinitely without strain. It will be sufficient if a set can be found which the various Central Banks can accept without serious anxiety for the time being, provided that there is no substantial change in the underlying conditions. Not only must such a set of rates be discoverable by impartial persons, but they must be acceptable to the Central Banks. If each Central Bank insists on being on the safe side, no accommodation is possible; for what is the safe side for one bank is the unsafe side for all the others. It is improbable that the initial set of rates could be settled, right off, at a conference, which in present circumstances would merely offer an exhibition of horse-dealing without any horse changing hands. It will have to be reached, in the first instance, by a process of trial and error, conducted in good faith but without prior undertakings. The test of success will be found in the voluntary removal of all those exchange restrictions, import quotas, exceptional tariffs, etc., which are not desired for their own sake as a permanent feature of national policy, but are acts of desperation and an expression of the extreme anxiety of the authorities, either to make both ends meet, or to alleviate the unemployment inflicted by deflation.

Now the commencement of this experimental period is at present delayed by the policy of the gold bloc taken in conjunction with the policy of the United States. For it is certain that the existing rates of exchange overvalue the gold bloc currencies in relation to the dollar; with the result that there is no conceivable policy on the part of the sterling bloc which will establish equilibrium with both. Thus the experimental period cannot even begin until the gold bloc have either changed the gold value of their currencies or have successfully remedied the disequilibrium by other methods. The latter solution is, I suppose, not inconceivable; for example, a decree effectively reducing all money wages by an appropriate percentage might achieve it. But it is very improbable. Moreover the measures which the gold bloc are now adopting, whilst extremely drastic, are based on a false theory inasmuch as they attack everything except wages. These countries seem to be engaged at present in scourging themselves until their situation has become so obviously intolerable that, when the common-sense remedy of altering the gold value of their currencies is finally adopted, no one can be blamed.

Let us, however, assume that the remedy has been adopted, and that the experimental period has lasted long enough for the exchange rates to shake down to levels which can be maintained for the time being without excessive strain on anyone. The test of this will be found, as I have said, in the voluntary removal of those obstacles to the movement of goods and money which are the expression of extreme anxiety and not of deliberate policy. When this stage has been reached, two problems will still require solution: (1) the method of how best to avoid short-term fluctuations, and (2) the question of how to handle a persistent disequilibrium if and when it occurs.

II

By short-term fluctuations I mean such as are due, for example, to seasonal influences, to foreign lending not synchronising precisely with the balance of trade out of which it will be ultimately financed, or to temporary movements of short-term funds under the influence of divergent discount rates at home and abroad.

The first condition of avoiding fluctuations of the exchange, due to such influences as these, is that each Central Bank should possess a sufficiency of free gold in relation to its

economic importance, which it can release without anxiety. The aggregate stocks of gold to-day are much more than is required for this purpose. But unfortunately their distribution is more unequal than ever before, the recent report of the Bank for International Settlements having shown that, in spite of the huge increase in the aggregate stocks of gold, the great majority of Central Banks lost gold on balance even in 1934. Clearly, however, the provision of funds for this limited purpose is a suitable object for international collaboration by Central Banks acting through the B.I.S. No vast sum would be required, if there was a pooling device by which sums drawn by one bank out of its credit with the B.I.S. Equalisation Fund would not be removable by the recipient bank but would have to remain to the credit of this bank with the B.I.S. Fund ; but the initial resources of the B.I.S. Equalisation Fund must, of course, be provided by the Central Banks which possess the bulk of the world's gold. This device, the general character of which is sufficiently indicated in the preceding sentence, is not intended to deal with the contingency of a steady drain and would be quite inappropriate for such a purpose.

Assuming that every Central Bank is thus supplied with a suitable initial fund, I suggest that the following technical devices would complete the armoury of control for ironing-out those fluctuations which were not due to a deep-seated disequilibrium :—

(1) A moderately wide gap between the gold-points. The technique of the British Equalisation Fund has shown how fluctuations within a moderate range can be employed to engage the forces of the market on the side of stabilisation. The gap must be just sufficient for it to be profitable for those to postpone remittances who are in a position to do so, until the exchange has swung back to a more advantageous figure, and for those who have remittances to make in the opposite direction, to anticipate them.

(2) Dealings by Central Banks (or their equalisation funds) in the forward as well as in the spot exchanges. The great technical advantage of this device, which was recommended a long time ago by the Genoa Conference, has never been properly realised ; perhaps because an instinctive understanding of the forward exchanges is rare even amongst bankers. Fluctuations in the premium (or discount) on forward transactions quoted by the Central Banks would make it possible

to have an effective bank rate for foreign transactions different from the effective rate for domestic transactions. Occasions often arise when the short-term rates of interest appropriate to the domestic position have become inappropriate to the foreign position, placing the Central Bank in a dilemma as to what its bank-rate policy ought to be. But by offering to sell its currency forward at an appropriate discount of its spot value (or to buy it at a premium over the spot rate), a Central Bank can make its short-term interest rates to an actual or potential holder of foreign funds exactly what it chooses, without ever changing the rates chargeable to domestic borrowers. This is, moreover, a specially suitable matter for quiet collaboration between the Central Banks. The reluctance of the Central Banks to operate on the forward market may be partly due to their habitual exaggeration (sometimes in search of an alibi for responsibility) of the influence of speculation. The fear of facilitating speculation might, indeed, be a sound reason against using this method to resist the effects of a deep-seated disequilibrium. But it is not for the purpose of postponing the inevitable that I am suggesting it.

(3) The adoption of Prof. Sprague's proposal that the holding of stocks of gold should be the monopoly of the Central Banks, the only permissible transactions in stocks of this metal being from the mines to the Central Banks and from one Central Bank to another. This is already the position in the United States, and the existing regulations in Great Britain are half-way towards it.

(4) A strict, though not pedantic, control of the rate of new foreign lending, so as to avoid a strain arising out of a serious disproportion between such lending and the accruing foreign balance on income account. Only by this means can we retain a sufficient autonomy over the domestic rate of interest. I do not support the criticisms of the manner in which the Bank of England and the Treasury have actually conducted this control in recent years, in spite of one or two cases of apparent pedantry. They are developing a method which should be a permanent feature of our economy. Circumstances may well arise in future when that control may have to become stricter, if we accept a very low domestic rate of interest as the only means of preserving full employment in a wealthy community.

The reader should notice that I have expressly excluded from my devices changes in bank rate and in the volume of

domestic credit, which were the main instruments of pre-war policy. It is the outstanding lesson of our post-war experience that these methods must be entirely discarded as a means of regulating the exchanges. They required for their success certain special conditions which no longer obtain, and may have been responsible even in pre-war days for much damage. It is essential that they should be employed in future with exclusive regard to internal conditions and, in particular, the state of employment.

I believe, nevertheless, that the above technique can furnish us with a *de facto* stability of the exchanges within a sufficiently narrow range, which can be maintained in all ordinary circumstances and, perhaps, for many years together. But we are now brought to the crux of our problem. Would it be wise and prudent to enter into a permanent undertaking never to allow the gold-value of our money to move outside the narrow range which we have so far contemplated ?

III

It is evident that the day may come when there will again arise a disequilibrium of the exchanges too violent or too deep-seated to be handled by the above methods. This might occur for internal reasons which were, in a sense, our own fault ; such as a rise of money wages not offset by increased efficiency, or a lack of political confidence on the part of the rich inducing them to remove their wealth abroad, or the fear of war. On the other hand it might be due to some external cause lying outside our control which disturbed seriously, and perhaps permanently, the terms of our trade with the outside world and the general current of our international transactions. Are we prepared to pledge ourselves in such circumstances to use all the other weapons open to us, however economically or politically injurious, rather than modify the gold-parity of our currency ?

Assuredly we are not. Very few to-day are prepared to contemplate such a course ; and even they might hesitate to urge us to give a pledge which we should probably break when the strain came. When the Council of the B.I.S. contemplate (as in their last report) a return to a régime of fixed gold parities, they are living in an unreal world, a fool's world.

Let us consider the mildest and most likely of the possible contingencies—the gradual development of relative levels of gold-costs of production at home and abroad which require

for equilibrium a change in the gold-value of our money. In such a case, whether it be our own fault or due to the action of some foreign country (or is merely the cumulative result of complex causes), there is no possible remedy except to modify the exchanges or to force a change in the level of wages. Yet it would be the height of political, as well as of economic, unwisdom for a Central Bank to fight the level of wages by the instrument of bank rate and the curtailment of credit. Perhaps I may recall a short dialogue between myself and Mr. Montagu Norman before the Macmillan Committee :—

> Mr. J. M. Keynes : What I thought was the more or less accepted theory of the bank rate was that it works in two ways. It has the effect on the international situation that has been described to-day, and its virtue really is in its also having an important effect on the internal situation. The method of its operation on the internal situation is that the higher bank rate would mean curtailment of credit, that the curtailment of credit would diminish enterprise and cause unemployment, and that unemployment would tend to bring down wages and costs of production generally . . . .
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> Mr. Montagu Norman : I should imagine that, as you have stated it, that is the orthodox theory, taking a long view, and as such, I should subscribe to it—I could not dispute it with you.

It is realised to-day, as it was not realised formerly, that the instrument of bank rate and credit contraction can only be successful as a means of remedying a fundamental international maladjustment, so far as it diminishes employment and, if the unemployment thus caused is sufficiently intense and prolonged, eventually forces a reduction of money wages. As a result of this better understanding of its *modus operandi*, I do not believe that it will ever be used again for this purpose. Yet, unless wages are to be determined by decree, it is to this that we should commit ourselves in accepting a fixed parity for sterling in terms of gold.

We can, and should, commit ourselves—(i) to maintain short-term stability within a certain range ; (ii) not to resort to devaluation merely to obtain competitive advantages in foreign trade in conditions where we are under no special strain ; and (iii) to submit to some test as to the severity of the strain we

were suffering before departing outside the agreed short-term range (though I am a little distrustful of a cut-and-dried formula). But we must retain an ultimate discretion to do whatever is required to relieve either a sudden and severe or a gradual and continuing strain, without laying ourselves open to any kind of reproach.

With good faith and genuine collaboration between Central Banks rigidly fixed parities are not necessary for international trade; without such conditions they are not only dangerous, but entirely unreliable. We shall get better collaboration if we do not put too great a strain upon it and allow to the collaborators an ultimate individual discretion.

I have assumed throughout that gold will remain the basis of international exchange, in the sense that Central Banks will continue to hold their reserves in gold and to settle balances with other Central Banks by the shipment of gold. The only alternatives would be sterling or some kind of B.I.S. bank-money; but neither of these is practicable to-day as the basis of a world system.

One matter may be mentioned in conclusion. The management of the British Exchange Equalisation Fund has been, by common consent, extremely successful. It has, moreover, constituted an important experiment in exchange management on a fluctuating parity which has added to our knowledge of exchange technique and has greatly increased confidence in the likelihood of exchange management proving successful as a permanent policy. It is open, however, to one important criticism, namely, in regard to the secrecy maintained as to the nature and magnitude of its transactions. I am sure that this secrecy is a grave mistake. It is an extraordinary and unwholesome breach with tradition that this country should conceal the magnitude of its gold reserves and the movement of gold into and out of them. Imagine the results of this practice being generally adopted by Central Banks, until the location of the world's gold could be only vaguely conjectured. The movements of gold into and out of a country's reserves are an economic indicator of the first importance. We might as well suppress the trade returns or the figures of national income and expenditure. If the gold movements are concealed, the advantages of well-informed discussion are foregone; and even amongst those who are responsible for making decisions all but one or two are deprived of a vitally important *datum*, and are left to

depend on guesswork. If speculation is made the excuse, it is upon mysteries and mystifications, half-elucidated by gossip and rumour, that speculation feeds. As the current report of the B.I.S. points out, the secrecy of the British Equalisation Fund makes hay of the international gold and currency statistics. But above all it leads to world-wide suspicion of our methods and motives, which is, I believe, quite unfounded and would be quickly dispelled by publicity. The Equalisation Fund is believed abroad to be our instrument for all kinds of subtle and self-seeking policies. Such suspicions, even though they are unfounded, are well deserved. No sound international exchange policy can be built up on secrecy and the concealment of matters which are of common concern.

J. M. KEYNES.

***The Bank publishes from time to time in this* MONTHLY REVIEW *signed articles by exponents of different theories on questions of public interest. The Bank is not necessarily in agreement with the views expressed in these articles.*

Purposes and Machinery of the American Trade Agreement Programme

By Leo Pasvolsky

(The Brookings Institution, Washington, D.C.)

SINCE the summer of 1934, the government of the United States has been engaged upon a comprehensive programme of negotiating trade agreements with other nations. In pursuance of this objective, agreements have been concluded with Belgium, Brazil, Cuba, Haiti, Sweden and the U.S.S.R., and a *modus vivendi* has been signed with Czechoslovakia. Negotiations are in progress with the following nations: Canada, Colombia, Finland, France, Italy, The Netherlands and her overseas possessions, Spain, Switzerland, and the five Central American republics. Work with respect to these countries is in varying stages of advancement. It is expected that, as circumstances permit, other countries will be added to the list of nations with which the United States will seek to conclude trade agreements, since it is the announced intention of the United States government to establish commercial relations based upon such agreements with—so far as possible—every nation of the world.

In the language of Secretary of State, Cordell Hull, who is the principal originator and executor of the programme, the general purpose is to make a break in " the log-jam of international trade created by restrictions such as quotas, import licences, exchange controls, special arrangements, and almost numberless other throttling devices." The programme is, accordingly, designed to inaugurate a movement toward a removal or at least mitigation of some of the most destructive barriers to international commerce as a first step in the direction of a return to a freer interchange of goods among the nations, and to aid in the establishment of a régime of international trade relations based upon fair and equitable treatment rather than exclusive advantage.

To the attainment of these ends, the United States is contributing by a systematic reduction of its customs duties and by a consistent application of the principle of equality of treatment as a guiding rule of its commercial policy. In exchange, the United States asks of other nations a mitigation of trade barriers affecting its principal exports and the extension to its trade of non-discriminatory treatment.

I

The trade agreement programme is being carried out under the authority of the Act of Congress approved June 12th, 1934. This Act comprises an amendment to the Tariff Act of 1930 and adds to Title III of the earlier Act a new part, entitled " Promotion of Foreign Trade." It constitutes a grant of power to the President to revise the existing American tariff, under certain prescribed conditions, and to establish the basic lines of commercial policy to be pursued by the United States government.

Under the Act, the President is empowered to enter into trade agreements with foreign governments for the purpose of promoting a flow of American products into foreign markets, through a reduction of trade barriers existing in foreign countries, and a similar flow of products of other countries into the American market, through modification of customs duties and other import restrictions operative in the United States. In the language of the Act, the President may exercise the powers granted him " whenever he finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening or restricting the foreign trade of the United States."

There are two limitations placed by the Act upon the President's authority to revise the American tariff. The first is that no rate of duty may be changed by more than 50 per cent., and the second, that no article may be transferred between the dutiable and the free lists.

Apart from these limitations, the President is given far-reaching powers. He may reduce any existing duty rate or bind it against increase. He may change the form of any existing duty or effect a reclassification of the articles covered by any tariff designation. He may give an undertaking that any article now on the free list shall not be subjected to the imposition of a duty. He may likewise give an undertaking

that the importation of any particular commodity shall not be subjected to any form of quantitative regulation. Finally, he may deal with "charges and exactions other than duties imposed on importation or imposed for the regulation of imports." He may also raise any duty and impose quantitative restriction of imports.

An agreement negotiated under the Act does not require Congressional ratification. The President is authorised to put into full and binding effect by proclamation all changes in the American tariff embodied in the agreements.

The Act prescribes that any modification made in the American tariff as a result of a trade agreement with any particular country shall apply to all other countries. The President is authorised, however, to refuse the extension of concessions to countries which discriminate against American commerce or which pursue policies tending to defeat the purposes of the Act. In this manner, the Act provides for the application of the unconditional most-favoured-nation clause in its fullest and most liberal interpretation.

The Act further prescribes that every trade agreement concluded under its authority "shall be subject to termination, upon due notice to the foreign government concerned, at the end of not more than three years from the date on which the agreement comes into force." However, if not terminated by such notice, an agreement may continue in force indefinitely, subject to termination upon not more than six months' notice.

The President's authority under the Act shall continue for three years from the date of enactment—that is, until June 12th, 1937. After that, all tariff-making powers will revert to the Congress, except that any changes embodied in the agreements which may have been negotiated in the meantime will remain in force, subject to the termination provisions of the agreements themselves.

II

The process of tariff revision by Executive authority on the basis of negotiation with foreign governments represents a new departure for American administrative practice. Hence it has required the creation of special machinery, designed not only for the purpose of preparing and carrying out the negotiation of individual agreements, but also with a view to working out the broad outlines and the detailed application of basic

policies. While the methods employed do not differ materially from those used in countries which had adopted earlier than did the United States a policy of tariff-making by negotiation, a brief survey of the salient features of the American procedure may not be without interest to the readers of this article.

The machinery which has been set up in the United States is inter-departmental in character. All divisions of the Executive branch of the government which are in a position to contribute to the carrying out of the programme are participating in the difficult and complex task involved. The work is headed by the Department of State, which has the principal responsibility for the actual negotiation of trade agreements. The gathering and analysis of the vast amount of material necessary as a basis for final decisions is done by a series of inter-departmental committees, consisting of representatives of the Departments of State, Commerce, Agriculture, and the Treasury, the United States Tariff Commission, and the Agricultural Adjustment Administration.* All these divisions of the government bring to bear upon the problem their specialised knowledge and judgment.

The Act provides that " before any foreign trade agreement is concluded, reasonable public notice of the intention to negotiate an agreement shall be given, in order that any interested person may have an opportunity to present his views to the President or to such agency as the President may designate." In accordance with this provision, a body known as the Committee for Reciprocity Information has been set up by the President. It consists of representatives of the Departments of State, Commerce and Agriculture and of the Tariff Commission. This Committee receives from business interests and the general public written and oral representations with respect to trade agreements which are in process of negotiation.

As soon as agreement is reached with any particular country to inaugurate trade negotiations, the Department of State makes a formal announcement, and public notice is given of the dates set for the submission of written statements to the Committee for Reciprocity Information and for the oral presentation to the Committee of supplementary views. In

* Prior to the reorganisation of the Industrial Recovery Administration in June of this year, that Administration and the Office of the Special Adviser to the President on Foreign Trade were also represented on the inter-departmental committee.

practice, no less than seven weeks are allowed as the period during which written statements may be submitted. The date for the oral presentation of supplementary views is usually set one week after the latest date for the submission of written statements. In this manner a period of eight weeks is allowed for the contribution to be made by the business community and the general public.

In entering upon preparatory work with respect to any particular country, the experts of the inter-departmental organisation described above make a thorough investigation of the trade relations existing between the United States and the other country. Each important commodity exported from the United States to the other country, or imported into the United States from the other country, is subjected to intensive study, from the point of view of the customs treatment accorded at the present time, as well as the general competitive position. Special attention is given to the development of trade in each particular commodity during recent years. Expert research analysis, as well as representations made through the Committee for Reciprocity Information, are utilised as the basis of study.

The results serve as a foundation for the following decisions with respect to each export commodity: Should action be requested from the other country, or is the customs treatment now accorded satisfactory? If action is to be requested, what should be the type of the request? If it is a question of customs duty, should a reduction be sought—and, if so, by how much—or should the request be merely for an assurance against a future increase of the existing rate? If it is a question of a quota or another form of quantitative restriction, should the request be for a removal of the restriction, or for a change in the share allotted to the United States, or merely for an assurance that imports of that particular commodity from the United States will not be treated in the future worse than at the present time? A schedule is then made up, comprising the requests for concessions from the other country, and is represented to the government of the other country for its consideration.

At the same time, the government of the other country transmits to Washington a schedule of concessions sought by it from the United States. These requests are immediately subjected to a close scrutiny by the experts of the United States government comprising the inter-departmental organisation,

who had already spent a considerable period of time in a study of the principal commodities imported into the United States from the other country and are, therefore, prepared to give speedy consideration to the requests for concessions.

In connection with each imported commodity, an examination is made of the recent tariff treatment accorded to that commodity; of the status and development of the domestic production of that or similar commodities; of the competitive factors operating as between domestic production in the United States and production, not only in the country with which negotiations are in progress, but in all other countries which are actual or potential suppliers of the commodity in question; of the effects—so far as they can be determined—of the present customs treatment upon trade in that particular commodity; of the probable effects of any change in the existing tariff rates; and of many other factors. The influence of possible tariff changes upon both producers and consumers in the United States is given careful consideration.

After all these studies are concluded by the two governments, the negotiators come together, and the process of adjusting differences begins. It is inevitable, of course, that differences of view are bound to exist and that many features of the schedules originally exchanged should become modified and adjusted. At every stage of the proceedings, the actions of the negotiators are reviewed by their respective political authorities, and the agreed results, embodied in finished agreements, are, therefore, almost certain of the necessary final approval and ratification.

In addition to the specific concessions written into the two schedules, each agreement contains a number of general provisions. Some of these are of a technical nature and relate to the implementation and operation of the agreement. Others embody safeguards against discrimination and against future contingencies. These general rules of conduct are also agreed upon in the process of discussion and negotiation.

III

The new commercial policy of the United States rests upon a broad interpretation of the unconditional most-favoured-nation principle. A country with which an agreement is concluded receives from the United States not only the duty

reductions inscribed in the text of the agreement but also a promise that any duty reductions granted in the future to any other country would be extended to it automatically and without any compensation. At the same time, the duty reductions granted in an agreement with any particular country are extended, automatically and without compensation, to all other countries, except under circumstances which will be presently described.

In adopting the most-favoured-nation principle as the basis of its commercial policy, the United States government had to make a number of choices. It had to decide whether the principle would be applied in unconditional or conditional form. If the former were chosen, it was necessary to decide whether its application would be limited to a basis of contractual obligation or be more general in scope. Finally, if the more general scope of application were chosen, it was necessary to decide whether or not any criteria of generalisation would be set up and, if so, what the tests would be.

The unconditional form of the most-favoured-nation principle was chosen in preference to the conditional form, mainly in the belief that the latter would defeat rather than promote the general underlying aims of the whole programme. In its conditional form, the principle would have meant that duty reductions granted to any particular country would not have been generalised to other countries automatically. Any third country wishing to obtain the benefits of such concessions would have had to pay for them. Conversely, the country to which the concessions would have been granted originally would not have received automatically concessions granted in the future to other countries, but would have had to offer additional compensations. The result would have been either the granting of exclusive privileges or a continuous welter of negotiation and confusion. Far from bringing about a general reduction of trade barriers and a greater flexibility in commercial relations, such a policy would have led to the setting up of differential advantages. It would have produced enforced diversions of the currents of trade, which would have obstructed, rather than promoted, a general trade revival.

In generalising duty reductions under the unconditional most-favoured-nation principle, the United States government could have adopted the method used by many countries—namely, that of extending the benefits of reduced duties only

to countries with which the United States have treaties or agreements containing a mutual pledge of such treatment. Since the United States has agreements of this sort with only a comparatively small number of countries, this would have meant in practice that the reduced duties would have applied to only a part of American imports of each commodity affected. Such a procedure would again have restricted the field over which the reduction of trade barriers would have become operative. Hence it was rejected in favour of a wider scope of generalisation of concessions.

But if the existence of a contractual obligation in the form of a most-favoured-nation treaty or agreement was not to be the test of generalisation, it was still necessary to decide whether the benefits of duty reductions should be extended to all countries without exception or whether some other test would have to be set up in accordance with which such benefits would or would not be generalised. The practice and literature of commercial policy abound in experiments and proposals along these lines. The simplest of them is the test of discrimination. But there are also such possible criteria as the relative balance of trade between individual countries, the absolute height of trade barriers, and others.

The United States government has chosen the test of discrimination. Its policy in this respect is tantamount to a general offer to extend the benefits of duty reductions effected by negotiation with individual countries to all other countries which do not, in fact, discriminate against American trade. To the countries which employ discriminatory practices, the United States government has announced its intention to refuse the benefits of its reduced duties so long as the discrimination continues.

However, the concept of discrimination requires definition. Its meaning is clear as applied to customs duties. If goods coming from one country are not subjected to a higher rate of duty than similar goods coming from any other country, then there is obviously no discrimination against the first country. The matter becomes much less clear and much more complicated when such newer forms of trade restrictions as quotas, monopolies, exchange controls, and other forms of quantitative regulation come into play. Here the definition of non-discriminatory treatment requires a certain amount of flexibility.

With respect to quotas, the United States government considers that American commerce is not subjected to discrimination if the share allotted to the United States of the total quantity of any commodity permitted to be imported is equivalent to the proportion actually supplied by the United States during a previous representative period—the latter being determined by agreement. The manner in which the remainder of the permitted imports is allocated among other supplying countries is of no concern to the United States. The same rule is applied to the allocation of foreign exchange under any system of foreign exchange control. With respect to monopolies, whether governmental or governmentally controlled, the United States asks that American suppliers be accorded " a fair and equitable share of the market as nearly as may be determined by considerations of price, quality, etc., such as would influence a private commercial enterprise."

Since reductions of American customs duties are accomplished by means of negotiation with individual countries and the generalisation of concessions through the unconditional most-favoured-nation principle, the choice of commodities with respect to which reductions are made in each particular agreement requires special consideration. The general rule is that each country receives duty reductions with respect to those commodities of which it is the principal or major supplier. Investigations made by the experts of the United States government indicate that each of the commercially important nations with which agreements are sought is, in fact, a principal or major supplier of a number of commodities which are of significance in its export trade. Hence the rule of granting reductions on this basis enables the United States government to have sufficient bargaining power to effect worth-while agreements with most other countries.

Once a sufficient number of such agreements have been concluded, duties will have been reduced or assurances against duty increases will have been granted on practically the whole—or, at least, a very large part—of the American dutiable list, and the benefits of these concessions will, sooner or later, be enjoyed by all countries. Conversely, the United States expects to secure from each country specific concessions only with respect to commodities of which it is the principal or major supplier to that country, and to receive the benefits of duty reductions on commodities of which it is a relatively minor

supplier through the application of the unconditional most-favoured-nation principle.

In view of the uncertain monetary and business conditions prevailing at the present time, the agreements which are being concluded by the United States contain a number of safeguards against future contingencies. Each of the signatories reserves the right, for example, to propose to the other the negotiation of a modification of the agreement or to denounce the agreement on short notice in case the exchange rate between the two currencies changes substantially. The same right can be exercised if another country than the one with which the agreement is concluded secures the major benefit of the duty concession on any particular commodity. The denunciation of the agreement on short notice is also provided in case one of the signatories imposes a quantitative restriction on trade in any commodity included in the schedule of concessions and not specifically excluded from the operation of this provision.

Of the agreements so far concluded by the United States, those with Belgium, Brazil, Haiti, and Sweden contain schedules of substantial mutual concessions and general provisions framed along the lines broadly described above. The agreement with Cuba is of the same general character, except that it provides for mutual preference, Cuba being the only country with which, because of special conditions, the United States intends to negotiate a preferential arrangement. The agreement with the U.S.S.R. is more limited in scope. It comprises an exchange of most-favoured-nation treatment on the part of the United States against an undertaking on the part of the Soviet government foreign trade monopoly to increase its purchases in the United States. The *modus vivendi* with Czechoslovakia constitutes merely a mutual pledge of non-discrimination as a preliminary step to the negotiation of a more comprehensive agreement.

The duty reductions embodied in the agreements which provide for such reductions were initially extended to all countries without exception. Official notice, however, has been served on those countries which discriminate against American commerce that the benefits of these concessions will be withdrawn unless the discriminatory practices are abandoned, either on their own initiative or in connection with the negotiation of a trade agreement.

IV

Finally, a word needs to be said as to why the United States, having decided upon a policy of tariff reduction, chose the method of bilateral agreements in preference to either unilateral action or multilateral arrangements. All three of these methods have certain advantages and disadvantages, and that of bilateral agreements was chosen because it is believed that, under existing conditions, it offers a maximum of the former and a minimum of the latter.

The method of unilateral reduction of customs duties has possibilities of relative speed and simplicity, but is open to a number of serious objections. It offers no assurance that other countries would also reduce their trade barriers at the same time that the United States would embark upon such a course. Hence the area of reduction of trade barriers might be seriously restricted. Moreover, in the absence of such assurance and, consequently, of tangible advantages to be secured by the United States in its export trade, it would be extremely difficult to mobilise strong public opinion in favour of substantial reductions in the American tariff. The difficulties would be enhanced by the fact that many American industries find themselves in a depressed condition. And the reluctance to take a chance on other countries following the lead of the United States would be strengthened by the level to which protectionism has attained in recent years all over the world. Whatever may be said about the unreasonableness of the degree of protectionism existing in the United States, other countries have, since the depression began, vied with each other in creating ever higher and ever more varied barriers to trade.

Even if, in spite of these more or less purely psychological obstacles, tariff reduction could still be undertaken in the United States by unilateral action, it is extremely doubtful that the scale of reduction could have been really substantial. Moreover, the procedure would have involved ordinary legislative activity, with all the attendant delays, obstruction by organised groups of special interests, and political log-rolling which have traditionally characterised Congressional tariff revisions.

Reduction of trade barriers by multilateral arrangements is not open to objection on the score of geographical scope, since presumably a considerable number of countries would be involved. As a matter of fact, the United States government

is not opposed to this type of action, provided it does lead to actual reductions in trade barriers and does not create closed areas of mutual preference. Secretary Hull has made this adequately clear at the World Monetary and Economic Conference in London and, a year later, at the Pan-American Conference at Montevideo. But the voluminous discussions on this subject which have taken place on various occasions lend colour to the belief that the world does not appear to be ready for comprehensive action of this sort and that even if such arrangements could be consummated, the amount of all-round reduction of trade barriers would be relatively small.

The method of bilateral agreements has the special advantage of permitting an attack on those particular trade barriers which hurt the most. Each country concluding an agreement with the United States can concentrate its attention upon duties relating to those of its export commodities the sale of which in the American market is obstructed most by the existing tariff. Similarly, the United States can seek to secure a relaxation of trade barriers with respect to those of its export commodities which have suffered most from the imposition of such barriers.

So far as the United States is concerned, after a sufficient number of agreements has been concluded and the duty reductions embodied in each have been generalised through the operation of the unconditional most-favoured-nation principle, the final result will be exactly like that which would have been obtained by unilateral action. The bilateral method, however, offers the added advantages of relatively more substantial reductions, rendered possible by the fact that something is received for what is given, and of assurance of action in the same direction by other countries. While the bilateral method is, probably, more cumbersome and time-consuming than the unilateral method, these disadvantages are believed to be more than outweighed by the advantages just enumerated. Moreover, if applied by executive rather than legislative authority, it permits of greater freedom from partisan and special-interest influence.

This does not mean that tariff revision by executive authority is an easy task in a country like the United States with its long history of high protectionism and its traditional attitude of regarding imports as something more or less unrelated not only to the flow of exports, but also to other phases of

economic life. The movement represented by the trade agreement programme goes a long way towards altering this attitude. But the enormous vested interests created by the tariff are still strongly entrenched, and the reconciliation of the inescapable effects which any downward revision of the tariff must have upon them with a more constructive conception of broad national interests is necessarily difficult and complex.

Nevertheless, the agreements already negotiated bear witness to the fact that the machinery recently created for the purpose of putting into effect the new commercial policy of the United States is working, and that those who are responsible for its operation are in earnest. While representing only initial steps in the direction of a liberation of world commerce from the paralysing effects of present-day barriers and obstructions, the reduction of American customs duties and the strong support given by the government of the United States to the principle of equality of treatment in commercial relations among nations are tangible facts of far-reaching international significance in a world in which the trend of exaggerated protectionism is showing only faint signs of reversal of direction.

LEO PASVOLSKY.

Notes of the Month

The Money Market.—Notwithstanding international uncertainties, the London money market has remained in a state of extreme ease. Apart from limited transfers of foreign-owned funds, including foreign gold hoards, from London to New York, there has been not the smallest weakening of confidence in sterling and no sign of any flight of capital. On the contrary, the international difficulties and their effect upon the Stock Exchange, have led to a certain desire for liquidity, which has increased the supply of funds available for the money market. Speculative positions on the Stock Exchange have been greatly reduced, and stock-jobbers are limiting the amount of stock on their books as much as they can. All this has reduced the Stock Exchange demand for short loans to less than its normal dimensions and has added to the supply of money. Against this the tender issue of Treasury bills has been expanding during September at the rate of £5 millions a week, but this slow seasonal increase has not been sufficient to absorb the fresh supplies of money. The result has been a further weakening of discount rates. The average tender rate for Treasury bills has fallen from 12s. 4·34d. per cent. on September 6th to 10s. 6·87d. per cent. on September 27th, while the clearing banks have been ready buyers of Treasury bills with ten weeks or less to run at their agreed minimum rate of ½ per cent. Three months' bank bills have been quoted at $\frac{9}{16}$ per cent., while the clearing banks have been lending money freely at their minimum rate of ½ per cent.

The Foreign Exchanges.—The main development during September was the definite strengthening of the dollar. Sterling has fallen from $4·97 to just under $4·92, while French francs have frequently been quoted at the export gold point. There have been heavy gold shipments to New York from London, Paris and Amsterdam, while Paris has in turn gained gold from Holland, Italy, and it is believed from the British Exchange Equalisation Account. The position in Amsterdam has been particularly uncertain, as Dr. Colijn, the Dutch Prime Minister, has hinted that Holland may not be able to maintain the gold standard indefinitely, while the attitude of the Catholic opposition is by no means clear. The Dutch Bank rate was raised from 5 to 6 per cent. on September 17th. Italy has been shipping gold to Paris in order to obtain foreign exchange for

financing essential imports, while French rentes and British War Loan have been sold in Paris and London on behalf of the Italian Government, which had previously mobilised foreign securities owned by Italian nationals. The strength of the dollar is due to a combination of circumstances. First, there are the lack of confidence in the gold *bloc*, the diminution of American silver purchases in London, and the opening of the autumn demand for dollars with which to finance crop movements. A similar seasonal improvement from $18·55 to $18·00 occurred during September in the "free" exchange rate on Buenos Aires. Next there is the international outlook with the possibility that England may be involved. This has given rise to a transfer of foreign balances from London to New York, and more especially to the repatriation of American funds which were lodged in London a few years ago when the stability of the dollar was mistrusted. The British Control has at times supported the pound by sales of francs, and the decline in sterling is on the whole very moderate. If a settlement of the Italo-Abyssinian dispute is successfully reached at an early date, there may conceivably be a rally in sterling.

The Stock Exchange.—Mainly because of the dubious international outlook, September has witnessed a steady decline in security prices. There has been no serious pressure to sell, but there is a complete absence of buying, and jobbers were again and again forced to mark down prices in self-protection. There is a natural desire for liquidity and for the avoidance of any large commitments. The gilt-edged market has been further influenced by the belief that the Government may have to embark upon fresh borrowing for defence purposes. This would at once affect the yield and prices of outstanding securities, and there is also a general feeling that the downward trend of the long-term rate of interest has reached its limit and that the next movement will be upwards. The gilt-edged market reached its latest peak on August 9th, and between then and September 20th there was an average fall in prices of 5·2 per cent. Lately there has been a moderate rally, but prices are still uncertain. Industrial share prices have also been marked down, the extent of the fall between August 13th and September 20th being 8·7 per cent. Here, too, there has since been some recovery, and it must not be forgotten that so far there has been no check to the British internal trade revival. Home railway stocks have also fallen heavily, and so far there has been little

or no recovery. Mid-September traffic returns were not regarded as encouraging. Foreign bonds have been very uncertain, but Brazilian issues improved on more reassuring news regarding the October coupons. Foreign rails have been fairly steady. The oil share market has been dull and narrow, while the reduction in the rubber export quota towards the end of September gave only a transitory stimulus to the rubber share market which has been very dull. Tea shares rallied early in September, but have since relapsed under the influence of profit-taking. Gold-mining shares were subject to fluctuations, and have also fallen considerably since early August, but the market remained fairly steady during September. Base-metal shares have not responded to the recent advance in metal prices.

Overseas Trade.—Total imports for August at £59·1 millions, showed a drop of £2·7 millions below those for July, no doubt due to the holidays. Compared with August, 1934, they fell by £0·8 million. There was a rather greater drop over the year of £1·6 millions in raw material imports—from £17·6 to £16·0 millions, but against this must be set an increase of £0·9 million in non-ferrous metals, which though ranked as manufactured goods are virtually raw materials. The decrease in the raw materials section was almost wholly confined to timber and cotton. British exports for August were £34·9 millions, against £36·4 millions in July and £32·1 millions in August, 1934. Holiday influences are again traceable.

Description	Jan.–Aug., 1934	Jan.–Aug., 1935	Increase (+) or Decrease (−)
	£ mn.	£ mn.	£ mn.
Total Imports	479·4	479·1	− 0·3
Retained Imports	443·0	442·4	− 0·6
Raw Material Imports	142·6	135·6	− 7·0
Manufactured Goods Imports	113·4	119·4	+ 6·0
Total Exports, British Goods	255·1	277·7	+22·6
Coal Exports	20·8	21·1	+ 0·3
Iron and Steel Exports	22·0	24·3	+ 2·3
Cotton Exports	39·1	40·4	+ 1·3
British Manufactured Goods Exports ...	196·9	216·2	+19·3
Re-exports	36·4	36·7	+ 0·3
Total Exports	291·5	314·4	+22·9
Visible Trade Balance	−187·9	−164·7	+23·2

Imports for the first eight months show practically no aggregate change from 1934, but imports of raw materials have

fallen by £7·0 millions while those of manufactured goods have risen by £6·0 millions. The increase in the latter category is mainly in non-ferrous metals, machinery, and oils, fats and resins. If the returns are revised so as to classify non-ferrous metals and petrol as raw materials instead of manufactured goods, the changes become a decrease of £1·5 millions in raw materials and an increase of £0·5 million in manufactured goods. Exports of British goods have increased by £22·6 millions, and the improvement is very general. Re-exports show little improvement from their previous low level.

Commodity Prices.—There was a distinct advance in world wholesale prices during September. This was partly due to several special circumstances. The wheat market has been affected by the drought in Argentina, by the raising of the Canadian Government's selling price and by the fact that part of the United States crop is not of millable quality. Raw cotton has risen lately under the influence of the September reduction in the American official crop forecast, while silk has advanced in response to a better American demand. Non-ferrous metal prices are higher as the result of heavier world buying, intensified in the case of tin by fears of a shortage of fresh supplies. Rubber advanced slightly on the news of the reduction in the export quota. A more general influence has been the uncertain international outlook, the tendency of which is to lead consumers to fear currency instability and a rise in prices, and so to purchase ahead of their immediate needs. In England, wholesale prices generally have risen by 2·4 per cent. since the end of August, while primary products have advanced by 4·6 per cent. In the United States the general increase is 1·5 per cent., while primary products have advanced by 5·2 per cent. The increase in French wholesale prices is less marked, but Italian wholesale prices rose during the first weeks of September by 1·5 per cent.

In Great Britain the official cost of living index number remained unchanged during August at 43 per cent. above the pre-war level, but the retail food price index fell from 26 to 25 per cent. above its pre-war level. The corresponding figures for the end of August, 1934, were 43 for the cost of living and 26 for retail food prices, so that there has been little net change. The chief movements during last August was a fall in the price of potatoes.

Home Reports

The Industrial Situation

Internal trade and production was well maintained during the holiday period of August and early September, and if the normal autumn expansion takes place, there should be a definite move forward before the end of the year. Some anxiety is felt over the international situation, but up to the end of September there was no sign that it was affecting internal trade. The supply of credit remains cheap and abundant, and the main immediate danger is lest the reaction in the stock markets may be a deterrent to fresh capital issues, which normally occasion part of the demand for capital goods.

During August there was a further decrease in unemployment from 1,992,000 to 1,950,000. This last figure represents 15·0 per cent. of the total of insured workers and compares with a figure of 2,135,000 for the end of August, 1934. The total number of employed workers has risen to a new high record of 10,424,000. The August improvement was fairly well spread. Other general indications of the progress of trade are the further increase in the consumption of electric power and the maintenance of a good demand for industrial chemicals, but raw material imports fell away slightly and September railway goods traffic returns do not compare too favourably with those of the previous year.

Activity in the capital goods industries, such as iron and steel, engineering and building was well maintained. There was a slight drop between July and August in iron and steel output, which is easily explained by the holidays, but the building trades have made further progress. The coal trade has been affected by a fresh cut in the French import quota and by difficulties in obtaining payment from Italy. The motor industry has maintained a good degree of activity in view of the fact that this is usually the dullest season of the year. The textile trades are less satisfactory.

There is still some lack of balance between the capital goods and consumption goods industries. This may in part be because the latter industries rely to some extent upon demand from overseas. Certainly there is no evidence of any decline in home consumption. The improvement in unemployment must be having a good effect,

and the August retail trade returns showed an improvement of 4·7 per cent. over the previous year. The holiday currency has now returned from circulation, but the total note circulation remains well above last year, and bank clearings, both London and Provincial, are also higher. All this points to increased spending.

News from abroad remains variable. In the Empire, reports from Australia are encouraging, and general business in Canada is well maintained. The Indian monsoon has been satisfactory. On the Continent, the gold *bloc* countries, France, Holland and Switzerland, are still suffering from over-valued currencies, but since devaluation Belgium has begun to make some progress. In Germany a tolerable degree of business activity has at last been restored, but there is still a divergence between the capital and consumption goods industries, the former being active and the latter being depressed by the low level of wages and the standard of living. Reports from Scandinavia are on the whole good. There is a considerable degree of industrial activity in Italy, but internal prices are rising and the financial outlook is very obscure. Business in the United States is definitely improving, but unemployment remains severe. In South America, large areas of Argentina have suffered from drought, but the latest reports hold out hopes that it may be breaking. The Brazilian exchange position remains difficult.

Agriculture

England and Wales.—According to an official report the corn harvest was practically completed during August. Although in many areas the grain is small, both the condition and quality are good. The yield of barley and oats will be slightly below the ten years' average, but that of wheat is the same. The yield of potatoes is expected to be below average, but the crop is free from disease. Turnips and swedes are a variable crop and the yield will be under average. Mangolds, however, have suffered less than other root crops and the yield is expected to be only slightly under average. The quality of hops is better than usual and the yield will probably equal the ten years' average. The condition and quality of hay is very good, but the yield of seeds hay is expected to be under average while that of meadow hay will be above the ten years' average. Cattle and sheep have only done fairly well owing to the shortage

of grass and, in some areas, of water. Milk yields have declined considerably.

Scotland.—Harvesting operations are now completed. In practically every district the grain has been secured in good order and, although light in some cases, promises quite well. The potato crop came away after the rains in August and sugar beet is also in excellent condition. Turnips, however, are still below average and this is affecting to some extent the demand for store cattle in the livestock markets. Prime bullocks have sold well, but secondary qualities met a dull trade. Sheep and lambs have been well forward and prices good, especially for store lambs which met a sharp demand. In the produce markets grain generally is becoming in larger supply with prices tending easier. Potatoes have been rather a poor market at 70s. to 80s. per ton.

Coal

Hull.—Collieries are well stemmed for practically all descriptions. Quantities of free coal offering are therefore limited and prices are very firm.

Newcastle-upon-Tyne.—In Northumberland prices in most directions show a firmer tendency, owing to the approach of the winter months. In Durham, however, the diminution of shipments to Italy has had a depressing effect, and prices remain unchanged.

Sheffield.—The demand for industrial fuels is strong and prices are firm. Household fuels have shown a considerable improvement. The export market remains unsatisfactory.

Cardiff.—Conditions in the South Wales steam coal market are again dull and there is no expansion in new enquiry. Many collieries are working short time. Stocks of large coal remain excessive, and the consequent restriction of output keeps the market for sized coals firm. The position with Italy was still creating a good deal of uncertainty during September, and many shippers are unwilling to undertake further commitments.

Newport.—Foreign shipments during August amounted to 189,000 tons, an increase of 12,000 tons since the previous month and an increase of 7,500 tons over August, 1934. Dock shipments, foreign and coastwise, during August were 218,500 tons, against 240,000 tons in July and 238,000 tons in August

last year. For the first eight months of this year shipments show an increase of 64,000 tons over the same period of 1934. Colliery outputs continue at much the same level as last year. Inland demand shows a slight increase, but foreign demand is less than a year ago.

Swansea.—Best quality anthracites are moving satisfactorily and prices are firmly maintained. Second qualities are receiving steady attention, but future enquiry is rather slow. Third qualities are in good request, and Canadian shipments remain satisfactory. Red veins are in fair demand at unchanged prices. Bunker throughs continue quiet, and the only movement noticed in the steam market is for dry-sized qualities.

East of Scotland.—At Methil first-class steams continue in request, and secondary qualities have improved. Washed fuels are also finding a good market and prices are steady. In the Lothians first-grade coal is busy, but other qualities are easy. Graded fuels remain steady.

Glasgow.—The home demand for Scottish coal for household purposes and for consumption at gas and electricity works is showing a steady seasonal improvement. Industrial demand in the West of Scotland is also good. Shipments to foreign countries are, however, hampered by scarcity of new business with the Continent, as well as by a lack of offers of tonnage. In Ayrshire and Lanarkshire splint and steam qualities are very dull, chiefly as a result of the almost complete collapse of trade with Italy, where importers find it practically impossible to obtain currency to pay for cargoes. Washed nuts are in good demand in all Scottish areas and prices generally are distinctly firm.

Iron and Steel

Birmingham.—Conditions generally are sound and the undertone of the market is good. Buying since the August holidays has been quieter than was expected, but this is attributed to the general assumption on the part of buyers that prices will not be advanced, and also to a feeling of uncertainty regarding the next move in reorganisation now that the Continental position is in hand. Prices are unchanged. Specifications against pig-iron contracts declined unexpectedly in September. The Continental tonnage of various materials

released for delivery in the first period under the restriction of imports scheme (up to October 8th, 1935) was quickly taken up, with the exception of heavy plates which dragged, but the total tonnage has now been sold.

Sheffield.—The basic steel trade is still producing to capacity, and there is no sign of the demand abating. Special steels, in the production of which Sheffield has no equal, are in particularly good demand. Firms catering for the motor and aircraft industries report increasing business, and the requirements of the railways and the shipbuilding trade are well up to normal. Trade in the heavy engineering section and in heavy forgings and castings is brisk. The local market for steel scrap is rather quiet.

Tees-side.—Active conditions obtain in all sections, and heavy order books are held by both iron and steel manufacturers. Pig-iron production is fully taken up. There are no unsold stocks and makers are heavily sold until early next year. Demand is slowly expanding, and the number of blast furnaces in operation is likely to be increased. Business is mainly on home account, and overseas sales are few and of small tonnage. With the European cartel quota of semi-finished steel fully disposed of, there is increasing pressure upon local manufacturers for supplies of billets and sheet bars. Consumption of structural steel is very heavy. Steel output in this area will probably reach new high records during the autumn months.

Walsall.—Malleable ironfounders are busy on new orders from the motor trade and prospects are bright. Tube manufacturers report good business. The export trade remains very difficult.

Wolverhampton.—Demand remains good. A slowing-up in the motor and cycle trades has been offset by an increased demand from general engineers and other trades.

Newport.—Output continues satisfactory, and substantial orders have been received for tubes. Imports of semi-manufactured products for August were only 19,300 tons, against 28,800 tons in July and 28,200 tons in August, 1934. Exports amounted to 12,500 tons, compared with 9,300 tons in July and 17,000 tons in August last year.

Swansea.—Demand for tinplates has continued to improve, and makers' order books are in a more satisfactory condition.

Glasgow.—Conditions are on the whole very satisfactory. The steel works are well employed. Local re-rollers are now obtaining the major portion of their semi-manufactured steel supplies from home makers, and this increased demand for billets, slabs and sheets is being adequately met. Tube makers are very busy owing largely to the protection given to the home market by the Imports Advisory Committee. In the sheet trade home demand is well maintained and the motor industry is still absorbing heavy tonnages for car chassis and bodies. Export business, especially in galvanised descriptions, is far below normal, but the increased home outlet compensates to some extent for the scarcity of overseas business. Re-rollers of steel and makers of wrought iron are well employed. Pig-iron production in Scotland is still confined to fourteen furnaces. The output is being steadily absorbed, but almost entirely by home users.

Engineering

Birmingham.—Motor manufacturers view the prospects for the approaching season with confidence. Production figures are high, particularly in the case of light cars, and there has been a further improvement in the demand for commercial vehicles. Many new programmes have been announced in preparation for the Motor Show this month. Conditions remain satisfactory in the home trade in general engineering and in tubes, but improvement in the export trade continues to be restricted by exchange conditions abroad.

Coventry.—Motor car manufacturers are entering upon the production of their 1936 models and preparing for the Annual Show at Olympia. A feeling of optimism is prevalent. Cycle manufacturers are also engaged upon their 1936 programme. The aircraft engine and electrical engineering industries are very active.

Leeds.—Enquiry is better among the smaller engineering firms, but there is little improvement in the heavier section.

Leicester.—Home trade remains good, but export business is only fair. The industry is fully occupied, and skilled workers are still scarce.

Sheffield.—The general engineering trades are well employed, and prospects are very promising. The improvement in the motor, aircraft building and other engineering trades has

increased the demand for engineers' and mechanics' tools. File makers are also busy with plenty of orders on hand. Exports of tools show a slight improvement, but business is mainly on home account. All the Sheffield trades have benefited by the tariff policy.

Wolverhampton.—The electrical trades remain active. The pump industry though not yet good has improved slightly. Lock makers are finding a satisfactory home market and export sales show improvement. The edge-tool trade is good, but continues to encounter serious difficulty in South America owing to German underselling under the compensation mark system. Output is reduced in the motor and cycle trades as the old season is ending, but manufacturers of light engines report steady business and the demand for free wheels is well maintained.

Glasgow.—The Clyde shipbuilding position has improved since the beginning of August, and over a dozen new contracts have been booked. An encouraging feature is the growing number of enquiries from liner owners, especially from Dominion firms. It is confidently expected that one of the new cruisers to be built under the Admiralty's programme will be built on the Clyde. The shipbuilding improvement has naturally brightened the outlook for the marine engineering firms, which promise to be kept fairly busy this winter. In the meantime there is still considerable activity among boiler-makers, especially in the Renfrew district.

Metal and Hardware Trades

Birmingham.—Business in the brass and copper section has remained fairly quiet. Prices tend to harden.

Sheffield.—Trade in cutlery has begun to improve and there is a better demand for medium and better quality goods, particularly for knives. The catering trade is at the moment by far the best customer for plated hollow-ware, but requirements generally are below normal. The sterling silver section remains steady but quiet. Export trade shows little improvement.

Wolverhampton.—The hollow-ware industry is good on the whole. Suppliers of enamel parts for cooking stoves and other domestic articles are fully occupied.

Cotton

Liverpool.—The United States Government's policy for the new crop was announced to be a loan of 10 cents on Low Middling ⅞-inch cotton or better, or, alternatively, a guarantee to pay any difference, up to 2 cents, existing between 12 cents and the average price at ten Southern markets on the day cotton is sold, basis Middling ⅞-inch cotton. Following this statement prices declined by about twenty points. The scheme is generally considered to be a good one and it is thought that farmers will prefer to market their cotton under the guaranteed price offer rather than take a loan. "Outside" growths will thus lose the protection they enjoyed owing to the artificially increased price of American cotton last season under the old loan. The world's consumption of cotton for last season is given as 25,464,000 bales, or only some 330,000 less than the 1928–9 figures, the highest in the past ten years. The decreased consumption of American has been made up by the large increase in "Outside" growths. The latest Bureau report, showing an unexpected reduction in the estimate to 11,489,000 bales, had little effect on the market, as operators anticipated heavy hedge selling and held the opinion that the farmers will sell the new crop freely. A fair demand has been maintained on the spot with good business passing in Americans and Peruvians, but latterly business has been restricted by the short supplies on offer. Should the more favourable weather reports continue, it is anticipated that there will be a freer movement in the new crop and increased hedge selling. Manchester reports some improvement latterly with a considerably increased enquiry. Business in cloth for India has been better and some fairly substantial sales have been made. There has also been some improvement in the demand for the home trade. In the Egyptian trade there has latterly been increased activity. There appears to be more confidence at present prices, but caution is being exercised by buyers owing to the unsettled Continental position.

Wool

Bradford.—There is a good demand for merino wool, and prices remain steady. Machinery activity has been well maintained in spite of seasonal and holiday influences.

Hawick.—In the Border tweed trade a few firms are rather better employed on special orders, but business is still backward.

Merchants are not sending in many confirmations for the next spring, and there are very few repeat orders yet for the winter of 1936. Trade with the Continent shows no improvement owing to import restrictions and other causes. Certain branches of the hosiery trade are a little better, notably knitted goods for outer wear, and there has been some demand for sports wear fabrics on American account. Dyers and spinners are quiet. At the recent wool sales all classes of wool met a good demand and in most cases prices showed an advance over those prevailing at the July sales.

Other Textiles

Dundee.—The jute market has been unsettled by rumours of a breakdown in the Calcutta Mills' working agreement, and prices have reacted sharply. There has been a slight recovery in the cloth section, and the position seems more hopeful. In the raw jute market, however, there has been no improvement, and spinners refuse to interest themselves even at the lowest points.

Dunfermline.—Conditions are moving very slowly in the Fifeshire linen trade, and while a little more interest is being taken buying is still mostly in small lots. Flax and tow have displayed a rather easier trend, but spinners continue to show very little interest. Business in both wet and dry-spun yarns is idle.

Clothing, Leather and Boots

Leeds.—The clothing trade continues to be well employed. The overcoat section is particularly busy.

Leicester.—Home trade is about average for the time of year and prospects are encouraging. Foreign imports of leather footwear show a decrease compared with the previous months. The hosiery trade is busy. In the outer-wear section repeat orders for good-class wear have been satisfactory and export trade is moderate. The August spell of hot weather enabled manufacturers and retailers to clear their remaining stocks of beach wear. In the women's hose section, home trade is a little better, but export trade is quiet.

Northampton.—The volume of business in the boot and shoe trade has been reduced, but the demand for men's better

grade shoes is still good. Prices of most classes of leather tend to increase owing to the relatively good demand.

Walsall.—Manufacturers of fancy leather goods are enjoying seasonal activity and some firms are working overtime. A shortage of skilled workers is reported. Demand for hides continues slow.

Shipping

Hull.—Tonnage is only in limited demand, most business being transacted on f.o.b. terms. Rates for most directions are steady.

Liverpool.—Outward coal freights have been fairly steady, with a moderate demand for tonnage. Towards the end of September there was fair activity homewards from the River Plate, especially for forward positions. Australia to Europe showed some interest at fixed rates.

Newcastle-upon-Tyne.—Chartering for West Italy is practically at a standstill. Other directions are fairly steady and the Baltic is firm.

Cardiff.—The freight market is steady, but demand is reduced. Tonnage, however, is none too plentiful, and the position may change from day to day according to International developments. The feature in the past few weeks has been the chartering of several British steamers on time charter for account of the British Admiralty, who still require tonnage of from 4,000 to 7,000 tons.

Newport.—There has been a marked decline in the demand for tonnage. The limited demands of the Admiralty were soon satisfied and outward rates have fallen considerably. Another ship has been laid up in the dock, making two in the dock and one in the river.

Swansea.—There was a much better enquiry quoting for the North of France during the middle of September, and owners appeared reluctant to offer tonnage. Rates consequently improved and showed a tendency to harden still further.

East of Scotland.—There were about twenty vessels on loading turn at the various Forth coaling ports at mid-September. Dock trade during August at the Port of Leith was better on the whole than for the same month last year, a

notable feature being the increase in grain imports from 12,229 tons in 1934 to 37,386 tons in 1935. Wood imports, however, fell very considerably from 17,144 tons to 3,457 tons for the same periods. Coal exports showed a moderate increase.

Glasgow.—Demand for tonnage is still quiet. In the Baltic section fairly good enquiries are circulating for boats to discharge at ports in Denmark and Finland, and rates are firmly maintained owing to the scarcity of offers. Enquiries in the Mediterranean, Bay and Coast sections are very restricted, but the undertone is steady.

Foodstuffs

Liverpool, grain.—Early in September the wheat market was inactive with a firm tone, and prices were rising. With the announcement by the Canadian Government of a minimum price of 87½ cents per bushel for No. 1 Northern Manitoba, which was largely in excess of market anticipations, prices advanced sharply. The market latterly has been very strong with heavy buying orders under the influence of the abnormal strength of the Buenos Aires market. In the Argentine, growers are holding firmly, but Canadian wheat is offered fairly freely at competitive prices, and there has been substantial buying of Australian wheat. Russia is not offering freely, and the exportable surplus is likely to be small. Crop reports continue to be almost universally bullish. The outlook for the Argentine crop is exceedingly bad. Prospects for the disposal of Canadian wheat therefore seem very much brighter. For forward deliveries of maize there has been an increasing demand with a very large business passing at higher prices, especially in Plate maize. The European crop is not expected to show a good yield. On the " Spot " there has been a good demand latterly at higher prices.

Liverpool, provisions.—The market for Continental bacon has been firm owing to decreased supplies; American hams were steady with demand moderate. A substantial advance has taken place in butter prices owing to a good consumptive demand and the light arrival of Empire supplies. Cheese has been firm at somewhat advanced prices. There has been a quiet sale of lard at the present high values. Canned meats are a firm market at unchanged values. Canned fruits steady to firm with new pack Californian creating interest.

Fishing

Brixham.—Owing to the continued depletion of the fleet of sail trawlers and to the fact that half of them were laid up for a fortnight during August, landings during that month constituted a low record for this port. Many trawlers continued to land their catches at other ports. Prices on the average remained steady.

Penzance.—The Cornish long liners have landed some very fine trips. Rays and skate have been in great demand and prices ruled high. Kits of rays were from £6 per 15 stone down to £4, and skate was as high as £6 per score. The best catches were from £106 down to £50 per week. Large shots of pilchards have also been taken, from 50,000 down to 10,000, and prices for export were 15s. per thousand. One large Italian firm notified the boat owners at the middle of September that they were not taking any more pilchards.

Scotland.—Most of the boats operating at the northern ports, notably Fraserburgh and Peterhead, returned home early in September to prepare for the East Anglian fishing, and by mid-September a number of the Scottish drifters were employed in English waters. Results at line fishing round the Scottish coast have been light on the whole, and prices have been well maintained.

Other Industries

Paper-making and Printing.—The Edinburgh paper trade could still cope with more business, and very few of the mills are working to capacity. The printing trade remains fairly active, and with the approach of winter business on the commercial side is improving.

Pottery.—Longton reports that business in pottery continues to show a steady improvement, and the August export figures and employment returns reflect the better trade. Most works are now busy with orders for the Christmas trade, and there is a better demand for the higher class china.

Timber.—Hull reports that goods ex quay are moving off steadily. This is unfortunately tending to encourage the hand-to-mouth policy which merchants have followed during the past few months, as there is no scarcity in any individual size

with the exception of 2×7 building qualities and one or two others. With regard to forward business several small contracts have recently been closed by Humber importers, but prices quoted by shippers are fairly high, and importers are therefore only buying enough to meet immediate demands from merchants.

Pitwood imports at Newport amounted to only 4,120 loads in August, against 12,900 loads in July and 9,750 loads in August, 1934. Other timber arrivals amounted to 2,100 loads against 6,267 loads in July, and 13,000 loads in August last year.

Overseas Reports

Australia

From the National Bank of Australasia Limited

Rural production prospects are somewhat below normal, and much depends upon the weather during the next few months. Early rain is needed in most sections of New South Wales and in parts of Queensland, but conditions and prospects are satisfactory in the Southern States. Higher prices for wool, butter and wheat are favourable factors. The wheat acreage is 7 per cent. below that of last year. General trade is better than a year ago. There is much greater activity in the building and associated industries and in the motor and engineering trades.

Canada

From the Imperial Bank of Canada

The wheat harvest which appeared so promising last July has since suffered from rust, heat and frost. Damage from rust alone is assessed at $100 millions, and the yield for the three Prairie Provinces is likely to be 270 million bushels, or about the same as last year. Wheat prices have advanced and there is a moderate export demand, which is strengthening the position of the Government as the holder of the country's surplus stocks. It is hoped that the new wheat Board will modify the former policy of endeavouring to control prices and that Government holdings will be liquidated in accordance with market conditions.

General business has been well maintained, and there has been a further improvement in employment, due in part to contracts awarded or financed by the Federal Government. The construction industry has shown a marked improvement and the output of electric power has reached a new high record. The steel and textile industries are more active, and there has been a substantial increase in raw material imports. Sales of motor vehicles are 25 per cent. higher than a year ago, with relatively heavy gains in Western Canada. Newsprint operations have expanded, but marketing conditions were unsatisfactory. Canadian mills are trying to bring about more healthy competitive conditions in world markets.

India

Bombay.—Raw cotton prices fell heavily during August. The official estimate of Indian acreage shows an increase of 12 per cent. over last year and with favourable weather conditions crop prospects are encouraging. Monsoon reports remain satisfactory in all centres. Difficulties in the Bombay silver market and the lowering of the loan basis from 12 to 10 cents in the United States have also affected Indian cotton prices. There has been a good demand for Bengal varieties, and Japanese and Continental buyers have taken some interest in New Crop Oomra. Local spinners have been inactive.

The piece-goods market has been quiet. There was a retail demand for British goods with some forward enquiry, but prices still appear too high. Demand for Japanese goods has sagged, and stocks are heavy. Local goods are in moderate but steady demand.

Calcutta.—The loose jute market has been easier and mills have only bought sparingly. Some business was done in European jute with speculators for forward shipment. The baled jute market was quiet with practically no export demand. The tea market has been steady and the commonest teas have become firmer. The quality of Assam teas was above the average, but latterly there has been the usual seasonal deterioration with a sympathetic decline in prices. The internal market for teas without export rights remained strong.

Rangoon.—Business in rice became a little more active during August as millers were at last beginning to sell. Demand is no better and the tone of the market is bearish. Indian crops are likely to be good, and so Burma cannot expect any increased Indian demand. European demand for timber was satisfactory, and the Indian market is steady. Business in hardware remains very bad. Dealers are still trying to collect outstandings in order to meet their own bills, and many lines are still being offered at or below cost.

Irish Free State

Official notice has been given that the 5 per cent. First National Loan, of which £7,000,000 is still outstanding, will be redeemed at par on December 1st. The loan originally amounted

to £10,000,000, and was issued in 1923. Details of the necessary conversion issue are not yet available.

Threshing and harvesting have recently been impeded by showery weather, and heavy rain has caused damage in some areas. Crops are of first-grade quality, but the yield has been reduced by the drought of the early summer. The cattle trade is slightly more active with an improved demand. There is, however, a scarcity of well-finished beasts. Sheep and lambs have been affected by the drought. Offerings are increasing, but are still less than normal. Demand, particularly for export, has eased off, and prices are weakening. Trade in pigs is slow, and markets are only cleared with difficulty.

France

From Lloyds & National Provincial Foreign Bank Limited

The foreign trade returns for the first eight months of the past two years are summarised below :—

First eight months of	1934 Frs. mill.	1935 Frs. mill.	Difference Frs. mill.
Imports—			
Foodstuffs	4,969	4,107	− 862
Raw Materials	8,060	7,553	− 507
Manufactured Articles	2,951	2,384	− 567
Total	15,980	14,044	− 1,936
Exports—			
Foodstuffs	1,561	1,610	+ 49
Raw Materials	3,391	2,792	− 599
Manufactured Articles	6,605	5,832	− 773
Total	11,557	10,234	− 1,323

The adverse visible trade balance for the first eight months of 1935 amounts to Frs.3,810 millions, against Frs.4,423 millions last year. It is noticeable that the improvement in the adverse balance is mainly due to a shrinkage in the value of France's foreign trade, but exports have not decreased so much as imports.

The total number of registered unemployed has risen from 379,327 on August 10th to 381,183 a month later. Compared with a year ago unemployment has increased by 15 per cent. The general index number of production for July is returned

at 92 (1913 = 100). There has been no change since June, but the figure has fallen by six points compared with July, 1934.

The Bourse has been mainly under the influence of the Italo-Abyssinian crisis, which is acting as a complete deterrent against fresh buying. Otherwise the technical position of the market possesses certain elements of strength, as interest rates are low and there is an abundance of unemployed capital. The speculative position is also insignificant. Still, everything in the middle of September depended upon the international situation.

Bordeaux.—The wine market is very quiet, as is usually the case before the vintage. There are prospects of an average crop, but certain districts have suffered from hail. Quality should be good if the weather remains favourable. The resin market is unsteady, but it is hoped that prices will become firmer once the effects of the new Government regulations are felt.

Le Havre.—The coffee market is weak, owing to a poor demand from the interior and financial uncertainties in Brazil. The seasonal lag in consumption has resulted in a large accumulation of stocks awaiting clearance through the Customs, these amounting to 685,000 sacks in early September, against 461,000 sacks at the end of March.

The cotton market is depressed. The latest American crop estimate of 11·8 million bales is considerably higher than previous forecasts, while the reduction of the American loan basis has also affected prices. Demand from spinners is small, and is easily met out of last season's stocks.

Lille.—Cotton spinners report that home demand has been stimulated by the recent fall in raw cotton prices. Competition is keen and yarn prices are barely remunerative. Stocks are low, but orders are being limited to immediate needs. Unemployment shows no improvement and the industry is only working at 42 per cent. of capacity. Flax spinners find business dull. Stocks of yarn are low but business is restricted. Prices for the new crop for delivery from November onwards are £10 (gold) per ton lower than those of last season, but spinners still regard them as too high and are not yet buying new crop. Stocks of old crop are small, and sales for immediate delivery command a small premium over new crop offerings.

Marseilles.—A shortage of supplies of ground-nuts has led the crushers to form a pool to control purchases. Prices show little change, but are inclined to weaken, particularly as regards

new crop prices. Copra fell during early August, but has since recovered owing to heavy London purchases—made, it is said in Marseilles, to meet Italian orders. The olive-oil market is quiet and unchanged.

Roubaix.—The top market has become more active, but business remains below normal. The tone is pessimistic, and prices of futures have fallen by 15 per cent. International uncertainties have induced consumers to avoid heavy commitments. Combers for the moment are a little more active, but few are working at more than 60 per cent. of capacity. The activity is not likely to be maintained unless new stocks of raw wool are forthcoming, and French purchases in primary markets are at present very limited. Spinners now occupy a slightly better position, and there is a greater demand for knitting wools. The weaving branch is very depressed. Exports of all woollen textiles, at all stages of manufacture, are now stopped. Unemployment is no better.

Belgium

From Lloyds & National Provincial Foreign Bank Limited

Antwerp.—For the first half of 1935 there has been a fair increase in the traffic of the port of Antwerp, and according to the figures registered so far, the second half is likely to be satisfactory.

Exports have increased by Fr.685 millions and transit business is also progressing. The heavy industries come first, and exports to the United Kingdom also show a fair increase. On the other hand, the volume of goods imported is slightly below the previous level. Business in Antwerp is quiet with perhaps grain as an exception. Wool quotations have been weak following advices of the sales in Australia, and have been marked down by Fr.2 per kilogramme. The tone of the Stock Exchange has been uncertain, but Government securities have been fairly firm.

Brussels.—The output of steel during August amounted to 250,530 tons, against 250,290 tons in July. The market position is unchanged, but the general tone is more hopeful. Orders are coming in from South America and India, but Japanese competition is becoming serious in the Far East. Business with the United States is developing.

The house coal market is firm, and demand is active due to fears lest prices may be increased. There is a fair demand for industrial fuel from gas and electricity works. Exports to Italy are increasing, so much so as to cause some delay to home deliveries.

In the glass industry, good orders for plate-glass have been received from England, and some ovens are being re-opened. Business with South America is affected by German competition.

The market for pit-props is quiet. Activity in the textile trades is beginning to lessen, but the position is still slightly better than a year ago.

Holland

Business has lately been under the influence of the holidays, and little change is noticeable. The Government has prepared various schemes for financing new industries and for the expansion of public utility works, but confidence is still lacking and the financial situation remains uncertain. Money remains dear, and while recent gold losses have been limited, there is little sign yet of any return of capital from abroad. The trade balance has improved slightly. Imports are now being checked by restrictions, while certain exports have shown a tendency to increase. The various exchange clearing agreements are working very slowly, and in the case of those with Germany, Turkey and Italy there are balances due to Dutch exporters which are still awaiting clearance.

The political outlook is still uncertain. It is certain that there will be a budget deficit, and Parliament is likely to consent to measures designed to cover it. The main point at issue is the future of the guilder. It seems unlikely that any coherent opposition to the Government can be formed in Parliament, but it is also a question how much opposition will be evolved by the deflationary measures which may prove necessary if the gold standard is to be maintained.

Germany

The improvement in trade has been maintained, and it is perhaps fair to say that compared with recent years Germany has at last re-established a low but tolerable level of trade activity. Conditions, however, vary widely between the different industries. The capital goods industries have benefited

from the new public works schemes, and doubtless also from re-armament, and production of heavy steel, cement, and similar goods required for building and constructional work is very active. During the year ended July, 1935, the index of the output of capital goods rose from 82·4 to 96·9 (1928 = 100). The consumers' goods industries, such as cutlery and textiles, are much less prosperous, as is shown by the fact that the index of the production of consumers' goods fell during the year ended last July from 89·7 to 80·9 (1928 = 100). Apparently capital goods are only being bought at prices which leave little or no margin for any increases in wages, with the result that the general standard of living remains low. On the other hand, the new methods devised for financing Government capital expenditure are so far working reasonably well, and there is little risk of any early breakdown. Whether the Government's programmes can be expanded and continued indefinitely behind the shelter of a controlled exchange and subsidised exports is another question. Still, there was an export surplus of Rm.50 millions in August, which followed one of Rm.28 millions in July, so that at present equilibrium is being maintained.

Norway

Imports remained unchanged between July and August, but there was an appreciable increase in exports. This has sufficed to make total exports for the year to date higher than those for the first eight months of last year :—

	Aug., 1934	July, 1935	Aug., 1935	First eight months of 1934	1935
	Kr. mill.	Kr. mill.	Kr. mill.	Kr. mill.	Kr. mill.
Imports	57·4	63·6	63·5	479·8	508·8
Exports	46·3	43·7	51·1	370·3	372·0
Import Surplus ...	11·1	19·9	12·4	109·5	136·8

During August, 13 vessels aggregating 28,669 tons d.w. were recommissioned. This reduces the quantity of idle tonnage from 72 vessels of 326,235 tons d.w. to 59 vessels of 297,566 tons d.w. The index number of industrial production for July was 91 (the first half of 1933 = 100). The June figure was 117, so that there has been a drop of 26 points, but this was due to holiday interruptions. For July last year the index was 98. Wholesale prices rose during the month ended August 15th from 127 to 128 (1913 = 100). The cost of living index number also rose by one point from 151 to 152.

Greater activity is noticeable in the shipyards. Three contracts for new vessels have been placed, including one of 7,500 tons d.w., and a number of orders for repair work have also been placed. About 5,000 tons of the coming season's whale oil production have already been sold to Denmark at a price of £16 per ton. Price for the current season's production range from £16 7s. 6d. to £16 15s. per ton and one or two small parcels have been sold to the Continent. Coal imports from England during the second year of the Anglo-Norwegian Trade Agreement were equivalent to 70·4 per cent. of Norway's total coal requirements, against 72·7 per cent. during the preceding year. Greater activity prevails on the Oslo Stock Exchange in both industrial and shipping shares.

Sweden

The timber market has been weakening during the past year, and while the fall in prices has recently been checked, it is only because shippers are beginning to hold back. Next year's production schedules are already being reduced, particularly in respect of white woods. The demand for red woods is more in accordance with the supply. Meanwhile the saw-mills are prepared to carry over to next year stocks which cannot be sold this autumn at acceptable prices. Shipments for the year to date are only 650,000 standards, against a parallel figure of 775,000 standards for last year.

Turnover in the wood pulp market has been small. American demand for sulphite has been dull, and about 10 per cent. of the year's output remains unsold. An agreement for restricting production has now been reached. The sulphate position is better. Practically all this year's output has been sold, and some interest is being taken in shipments for next year. The mechanical pulp market has been quiet, but there is a fair demand, and there is little of this year's output of wet pulp now available. Paper prices are low, but at the moment the mills are fairly well occupied with orders. Prospects are uncertain.

The iron trade is quite busy, partly because of recent building activity, and production is slightly higher than last year. Orders, however, are beginning to fall away.

Denmark

The scheme of the Farmers' Union to bring pressure to bear upon the Government by withholding foreign exchange received

in payment for agricultural exports has been put into force, but has received very qualified support. Counter measures so far taken consist of the raising of the Bank Rate from 2½ to 3½ per cent. and of a reminder that the law provides that all foreign exchange must be repatriated without undue delay or any change in the usual terms of payment. Public opinion is by no means favourable to the farmers, the more so as butter prices have now risen to Kr.230 per 100 kilos., which is the highest price since February, 1932. This increase both penalises the consumers and also improves the farmers' position. On the other hand, the 12½ per cent. cut in the British bacon import quota will reduce weekly shipments of Danish bacon from 75,000 to 65,000 heads, as from October 1st. Exports of farm produce for the first eight months of 1934 and 1935 are given below :—

	1934	1935
Butter (tons)	105,843	95,842
Eggs (scores)	40,185,000	41,812,000
Bacon (tons)	156,962	137,342

The import surplus for the first eight months of 1935 was Kr.35·7 millions, against Kr.55·4 millions in 1934. Imports from Great Britain have risen from Kr.250 to Kr.306 millions, while exports to Great Britain have fallen from Kr.493 to Kr.481 millions. Judging from the past four months, total exports are averaging about Kr.400 millions for a period of four months, while imports of necessities and goods on the free list average about Kr.140 millions. This leaves a margin of about Kr.260 millions to cover the importation of goods subject to licence during the remaining four months of the year. In view of the recent curtailment of licences this limit should not be exceeded, but the curtailment has naturally caused great dissatisfaction to importers and may also create a shortage of certain goods. This is clear from the fact that during the last four months of 1934 imports of goods subject to licence totalled Kr.350 millions.

The National Bank sold during August gold of a book value of Kr.15·1 millions. The gold actually realised Kr.30·8 millions. The bulk of the proceeds were used to redeem a loan of Sw.Frs.20 millions raised by the National Bank in Switzerland in August, 1932. The book value of the loan was Kr.20 millions, but the cost of repayment was Kr.29 millions. These transactions leave the National Bank with a net profit of Kr.6·2 millions which has been transferred to a regulation account.

The increase in the Bank Rate has weakened the bond market, but shipping shares have been stimulated by the possibilities arising out of the Italo-Abyssinian dispute. Wholesale prices rose during August from 131 to 134. The export goods price index rose from 115 to 118, while import goods rose from 134 to 136. Unemployment increased from 50,879 to 57,435, but is still 3,761 less than a year ago.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited

Exports for August totalled Fr.59·2 millions, and imports Fr.101·3 millions, compared with exports of Fr.65·9 millions and imports of Fr.113·9 millions for the same month of 1934. The adverse trade balance thus shows a further improvement.

The building industry, which in previous years has been characterised by great activity, thus assisting the labour market in a great measure, has lately been comparatively inactive. The Swiss banks have already for some time considerably reduced their building credits.

As regards the export industries, the steady improvement in the watch industry experienced since the beginning of the year is well maintained, and the number of watches exported is the highest since 1930. A satisfactory increase in the demand for chemicals has been noticed, and the machinery industry has remained steady. On the other hand, there is an important set-back in shoe exports, as compared with August, 1934.

Recent political events have had a depressing effect on the Stock Exchanges. The new loan issued on behalf of the Canton de Bâle-Ville of Sw.Frs.22 millions at 94·65 per cent. was a failure, as only approximately Sw.Frs.6 millions were subscribed by the public. The twelve most important Swiss Federal and Federal Railway Loans now yield on an average 4·68 per cent., as compared with 4·13 per cent. on 10th September of last year.

The state of the labour market is less satisfactory and the number of bankruptcies tends to increase. The gold reserves of the National Bank have increased further during the past month.

Spain

The first two stages of the Government's conversion operation have now been completed, and the 5 per cent.

Amortisable Debt issues of 1900 and 1917 for Ptas.979·3 millions and Ptas.890·6, respectively, have been exchanged for tax-free 4 per cent. Stock, redeemable within a period of 50 years from 1945. Only an insignificant amount of the 5 per cent. Stock was presented for repayment, and the 4 per cent. Stock offered for public subscription in this connection was heavily over-subscribed. As market conditions continue very favourable, further conversion operations may be anticipated in the near future.

Bank deposits at the end of June rose to Ptas.6,488 millions against Ptas.6,448 millions at the end of March. Savings accounts and fixed deposits continue to increase, but current accounts show a downward tendency.

The rice market this year is very abundant. The market is not encumbered with stocks, and it is estimated that 80,000 to 90,000 tons will be available for export. Up to the end of July exports of olive oil totalled 34,320 tons against 32,960 tons for a similar period in 1934. Though small, this improvement is very welcome at a time when total exports continue to decline. Negotiations with England for a revision of the existing Anglo-Spanish Commercial Agreement have been postponed until November.

Morocco

From the Bank of British West Africa Limited

Business during August has been very quiet, but some slight improvement has since been seen in Japanese cottons and China teas. Stocks of most imported goods remain high. There has been a sharp increase in prices of cereals and seeds, with a demand from France for barley. The wheat harvest is not expected to exceed 40 per cent. of the " normal " yield, and the shortage is naturally reflected in the purchasing power of the natives. The French economy cuts by decree law have been extended to French Morocco.

The United States

Congress is now in recess, and the nation has a breathing space from fresh legislative proposals with their attendant uncertainties. Meanwhile, September business reports are in many respects very encouraging. There has been a very marked revival in residential building, and there is also a much broader

demand for the more durable classes of consumers' goods, such as automobiles, refrigerators, and even farm machinery. Unemployment remains serious, at total estimates ranging from 10 to 11 millions, while the railroads and electricity undertakings show no signs of being able to purchase fresh equipment. Otherwise there is a fairly general feeling that prosperity is returning, though it remains to be seen how long that impression will be borne out by actual facts.

The steel trade has improved its rate of operation during the past month from 48 to 52 per cent. of capacity. Some industrial concerns have announced their intention of executing extensive re-equipment programmes, and the activity in the automobile and house-building industries should also help the steel trade. There is a revival in the demand for machine tools.

Chicago wheat prices advanced in the middle of September from $88\frac{5}{8}$ to $91\frac{7}{8}$ cents per bushel as the result of the Canadian Government's decision to fix a minimum buying price of $87\frac{1}{2}$ cents per bushel for No. 1 Northern Manitoba, delivered Fort William. Latest reports confirm the news that considerable damage had been done to United States spring wheat by heat and rust, and the total wheat crop estimate has been reduced from 608 to 595 million bushels. Much of the wheat will be unfit for milling.

The cotton market has been unsettled by the alteration in the Government loan scheme. This was subject to considerable controversy during the closing days of the session, but in the end the basis of the loan has been reduced from 12 to 10 cents per lb., with an option to growers of a subsidy, under certain conditions, of up to 2 cents per lb. on cotton actually sold towards meeting any margin between the current market price and a price of 12 cents per lb. The general impression was that the new scheme would induce growers to sell more freely, and this had a bearish influence. The mid-September official crop forecast, however, estimated a total yield of only 11·5 million bales, against a mid-August estimate of 11·8 million bales. As an estimate of 12 million bales had been anticipated, any tendency for prices to fall has for the moment been arrested.

South America

Argentina.—The drought has been very serious in the Provinces of Cordoba, Santa Fé, Entre Rios and parts of La Pampa. The temperature has been very high, and the warm

weather has caused locusts to appear earlier than usual in Cordoba and Santa Fé. August wheat shipments were moderate and the market remained firm. Recent prospects suggested that the linseed crop would be much reduced, but foreign demand has been poor. Maize shipments were moderate, and the Government has bought a considerable quantity from growers. Farmers have lately been selling less freely owing to fears of continued drought and the appearance of locusts. General business has been depressed by the drought. Exchange rates have remained steady, in spite of unfavourable prospects for the coming crops and so for the export trade. It is believed that British exporters of agricultural machinery now have a chance to compete successfully with United States exporters. The 20 per cent. exchange surcharge, however, does not operate in favour of British exporters in this case, as all agricultural machinery imports, irrespective of country of origin, are accorded the official permit exchange rate. British trade in cotton goods has lately been affected by the reduction in purchasing power due to the drought and by Japanese competition. Wool textile imports are also becoming subject to successful competition from Japan.

Brazil.—Recent exchange regulations have affected the foreign exchange market, which is now indeterminate and almost paralysed. Sao Paulo reports that the coffee market has been weak, but August shipments were about the same as those for July. Stocks held in the ports at the end of August totalled 3,248,000 bags. This year shipments to Europe have been on a smaller scale than last year. The following table illustrates exports of coffee for recent years :—

Crop Year.	Total exports (sacks)	Value (£ gold)	Price per Sack. £ s. d. (gold)
1929–30	15,080,000	56,213,000	3 15 0
1930–31	17,523,000	36,264,000	2 1 0
1931–32	15,277,000	31,313,000	2 1 0
1932–33	12,148,000	25,558,000	2 2 0
1933–34	15,855,000	23,202,000	1 9 0
1934–35	13,410,000	18,445,000	1 8 0

The decline in prices and in the value of shipments is particularly noticeable.

Up to August 31st, 83·4 million kilogrammes of this year's cotton crop had been classified, against 77·1 kilogrammes up to the same date in 1934. The 1935 crop will be about equal to that

of 1934. Planting for the next crop is now beginning and there are indications that the area under cotton will be largely extended.

Chile.—The expansion of credit during the past two years is now being reflected in a growth in the number of business failures. Retail sales in Santiago for the first six months of 1935 show an improvement of 16·6 per cent. over the first half of 1934. Wholesale prices are firm, but dealings in produce during August were somewhat limited. July nitrate shipments from Iquique exceeded 34,000 tons. The reduction of 10 per cent. in the price of nitrogenous fertilisers in France has been well received in Chile, and it is hoped that the French demand for natural fertilisers will expand.

⁂ Further information regarding trade conditions in South America will be found in the *Monthly Review*, published by the Bank of London & South America, Limited.

Japan

The latest trade returns are summarised in the following table :—

	Aug., 1934	July, 1935	Aug., 1935
	Yen mill.	Yen mill.	Yen mill.
Imports	209	207	213
Exports	183	198	171
Import Surplus	26	9	42

The import surplus for the year to date is Yen 111 millions, or 6 per cent. less than in 1934. The decrease is due to lower imports of raw cotton and wheat and to heavier exports of raw silk and cotton textiles. The balance of payments for the complete year 1934 shows estimated receipts of Yen 974 millions and payments of Yen 982 millions. The small adverse balance succeeds a favourable balance of Yen 91 millions in 1933, but as it arises from heavy payments on account of overseas investments in Manchoukuo, it is not regarded with any anxiety.

Business in rayon is unfavourable. The cotton yarn market was only affected temporarily by the reduction in the basis of the American loan scheme. There has been a great improvement in the raw silk trade due to a better American demand and to a growing scarcity of stocks.

Statistics

BANK OF ENGLAND

Issue Department

	Note Circulation.	Govt. Debt.	Other Govt. Securities.	Other Securities.	Silver Coin.	Fiduciary Issue.	Gold.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
End March, 1929	361·8	11·0	235·2	9·0	4·8	260·0	153·3
„ „ 1930	352·3	11·0	233·0	11·5	4·5	260·0	155·1
„ „ 1931	357·1	11·0	232·0	12·9	4·0	260·0	144·5
„ „ 1932	360·5	11·0	240·9	19·3	3·8	275·0	120·8
„ „ 1933	367·1	11·0	249·9	10·5	3·6	275·0	171·8
„ „ 1934	378·8	11·0	245·4	0·1	3·5	260·0	191·1
„ „ 1935	381·4	11·0	246·7	0·2	2·1	260·0	192·5
Sept. 18, 1935	398·1	11·0	246·4	1·0	1·5	260·0	193·5
Sept. 25, 1935	398·2	11·0	246·3	1·1	1·5	260·0	193·6

Banking Department

	Public Deposits.	Bankers' Deposits.	Other Deposits.	Govt. Securities.	Discounts and Advances.	Other Securities.	Reserve.	Proportion.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	%
End March, 1929	19·7	58·2	36·4	50·6	13·0	17·1	51·9	45·4
„ „ 1930	18·8	54·9	35·9	44·8	6·1	13·3	63·7	58·1
„ „ 1931	17·2	58·8	34·7	30·3	24·6	25·7	48·3	43·6
„ „ 1932	27·2	54·6	34·4	35·7	11·7	51·1	35·9	30·9
„ „ 1933	21·2	92·8	35·0	57·7	11·8	17·2	80·6	54·0
„ „ 1934	17·5	94·5	36·9	77·1	5·6	11·0	73·4	49·2
„ „ 1935	20·1	96·6	41·2	87·6	5·6	11·4	71·7	45·3
Sept. 18, 1935	17·5	92·0	37·6	83·2	11·9	14·2	56·2	38·1
Sept. 25, 1935	19·5	87·2	39·0	83·2	12·4	12·2	56·2	38·5

LONDON CLEARING BANKS (monthly averages)

	Deposits.	Acceptances, Guarantees, etc.	Cash.	Balances and Cheques.	Call Money.	Bills.	Investments.	Advances.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
March, 1925	1,643·5	113·9	190·2	51·1	111·7	205·1	299·4	857·1
„ 1929	1,776·6	222·1	187·8	52·7	136·1	216·6	258·9	995·9
„ 1930	1,719·3	159·3	184·4	51·3	134·7	183·6	240·4	990·8
„ 1931	1,763·9	121·5	184·0	43·5	114·1	240·4	311·1	936·1
„ 1932	1,676·4	98·7	174·0	43·4	112·5	216·8	281·9	902·1
„ 1933	1,925·2	95·8	207·0	40·1	108·7	348·1	510·2	766·2
„ 1934	1,830·6	112·8	218·9	43·5	120·4	202·1	547·1	753·0
„ 1935	1,923·3	117·7	214·0	43·6	133·4	207·0	614·4	766·8
July, 1935	2,019·3	97·4	219·4	47·6	145·2	273·7	615·2	774·7
August, 1935	2,013·2	93·7	213·3	41·7	148·5	286·9	615·2	764·5

LONDON BANKERS' CLEARING HOUSE RETURNS

	Town Clearing.	Metropolitan Clearing.	Country Clearing.	Total.
	£ mn.	£ mn.	£ mn.	£ mn.
1925	35,801	1,678	2,958	40,437
1929	39,936	1,882	3,079	44,897
1930	38,782	1,812	2,964	43,558
1931	31,816	1,668	2,752	36,236
1932	27,834	1,610	2,668	32,112
1933	27,715	1,657	2,766	32,138
1934	30,740	1,760	2,984	35,484
1934 to September 24 ...	22,126	1,278	2,170	25,574
1935 to September 25 ...	23,704	1,373	2,342	27,419
1934 September (4 weeks)...	2,053	117	209	2,379
1935 September (4 weeks)...	2,185	126	235	2,546

BANKERS' PROVINCIAL CLEARING RETURNS

	Mar., 1925.	Mar., 1929.	Mar., 1932.	Mar., 1933.	Mar., 1934.	Mar., 1935.	July, 1935.	Aug., 1935.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Birmingham	11·3	11·9	9·0	9·7	11·3	9·6	12·4	9·2
Bradford	—	5·9	3·4	3·3	4·2	3·8	4·3	3·4
Bristol	5·1	5·3	4·9	5·0	5·4	4·9	5·8	4·9
Hull	4·8	4·0	3·0	3·2	3·2	3·2	3·3	3·2
Leeds...	4·5	4·4	3·8	3·8	4·4	4·3	4·7	3·6
Leicester	3·6	3·6	3·1	3·1	3·3	2·8	3·2	2·5
Liverpool	42·5	34·2	25·6	25·6	26·8	25·8	26·4	24·8
Manchester	77·4	58·0	42·5	42·1	46·1	42·8	45·3	37·8
Newcastle-on-Tyne...	7·8	6·5	5·7	6·5	6·9	5·5	6·1	5·1
Nottingham	2·3	2·8	1·9	1·9	2·0	2·0	2·3	2·0
Sheffield	5·0	4·6	3·3	3·5	3·6	3·4	4·0	3·7
	164·3	141·2	106·2	107·7	117·2	108·1	117·8	100·2

LONDON AND NEW YORK MONEY RATES

	London.					New York.		
	Bank Rate.	Treasury Bills. Tender Rate.	Treasury Bills. Market Rate.	3 Months' Bank Bills.	Short Loans.	F.R.B. Re-discount Rate.	Call Money.	Accept-ances.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
End March, 1925	5	4$\frac{11}{16}$	—	4$\frac{5}{8}$–4$\frac{11}{16}$	3$\frac{3}{4}$–4$\frac{1}{4}$	3$\frac{1}{2}$	3$\frac{1}{2}$	3$\frac{3}{8}$
" " 1929	5$\frac{1}{2}$	5$\frac{11}{16}$	5$\frac{1}{2}$	5$\frac{9}{16}$–5$\frac{5}{8}$	4$\frac{1}{2}$–4$\frac{3}{4}$	5	15	5$\frac{1}{8}$
" " 1930	3$\frac{1}{2}$	2$\frac{1}{2}$	2$\frac{9}{16}$	2$\frac{9}{16}$–2$\frac{5}{8}$	2$\frac{1}{2}$–2$\frac{3}{4}$	3$\frac{1}{2}$	3$\frac{1}{2}$	2$\frac{7}{8}$
" " 1931	3	2$\frac{11}{16}$	2$\frac{9}{16}$–2$\frac{5}{8}$	2$\frac{9}{16}$–2$\frac{5}{8}$	2–2$\frac{1}{2}$	2	1$\frac{1}{2}$	1$\frac{5}{8}$
" " 1932	3$\frac{1}{2}$	2$\frac{9}{32}$	1$\frac{7}{8}$	2$\frac{1}{2}$–2$\frac{3}{4}$	2–3	3	2$\frac{1}{2}$	2$\frac{3}{8}$
" " 1933	2	$\frac{19}{32}$	$\frac{9}{16}$–$\frac{5}{8}$	$\frac{5}{8}$	$\frac{1}{2}$–1	3$\frac{1}{2}$	3	2$\frac{1}{8}$
" " 1934	2	$\frac{29}{32}$	$\frac{7}{8}$	$\frac{15}{16}$	$\frac{1}{2}$–1	1$\frac{1}{2}$	1	$\frac{1}{2}$
" " 1935	2	$\frac{1}{2}$	$\frac{1}{2}$–$\frac{17}{32}$	$\frac{9}{16}$–$\frac{5}{8}$	$\frac{1}{2}$–1	1$\frac{1}{2}$	1	$\frac{3}{16}$
August 21st, 1935	2	$\frac{9}{16}$	$\frac{9}{16}$	$\frac{9}{16}$–$\frac{5}{8}$	$\frac{1}{2}$–1	1$\frac{1}{2}$	$\frac{1}{4}$	$\frac{3}{16}$
Sept. 28th, 1935	2	$\frac{17}{32}$	$\frac{5}{8}$	$\frac{9}{16}$	$\frac{1}{2}$–1	1$\frac{1}{2}$	$\frac{1}{4}$	$\frac{3}{16}$

FOREIGN EXCHANGES

London on	Parity (prior to Sept. 21, 1931).	1933. Sept. 27	1934. Sept. 26	1935. Sept. 4	1935. Sept. 11	1935. Sept. 18	1935. Sept. 25
New York—							
(a) Spot ...	\$4·866	4·72$\frac{1}{2}$	4·96$\frac{5}{8}$	4·95$\frac{5}{16}$	4·93$\frac{7}{8}$	4·93$\frac{1}{2}$	4·92$\frac{7}{8}$
(b) 3 Months	—	4c. dis.	$\frac{1}{8}$c. dis.	1$\frac{1}{8}$c. pm.	1$\frac{1}{16}$c. pm.	1$\frac{1}{8}$c. pm.	1$\frac{1}{4}$c. pm.
Montreal ...	\$4·866	4·84$\frac{1}{2}$	4·81$\frac{1}{2}$	4·97$\frac{1}{8}$	4·95$\frac{3}{4}$	4·96$\frac{1}{8}$	4·97$\frac{5}{8}$
Paris—							
(a) Spot ...	Fr.124·21	79$\frac{5}{16}$	74$\frac{5}{8}$	75$\frac{1}{16}$	74$\frac{15}{16}$	74$\frac{13}{16}$	74$\frac{21}{32}$
(b) 3 Months	—	7$\frac{1}{2}$c. dis.	9c. pm.	Fr.1$\frac{3}{16}$dis.	Fr.1$\frac{1}{16}$dis.	Fr.1$\frac{3}{16}$ dis.	Fr.1$\frac{1}{8}$dis.
Berlin—							
(a) Official ...	Mk.20·43	13·05	12·33$\frac{1}{2}$	12·32	12·27$\frac{1}{2}$	12·24$\frac{1}{2}$	12·23$\frac{1}{2}$
(b) Registered Marks	—	27$\frac{1}{2}$% dis.	40$\frac{1}{2}$% dis.	46$\frac{1}{4}$% dis.	47$\frac{3}{4}$% dis.	49$\frac{1}{4}$% dis.	52% dis.
Amsterdam ...	Fl. 12·11	7·71	7·26	7·32$\frac{1}{2}$	7·31	7·29$\frac{1}{2}$	7·29$\frac{3}{4}$
Brussels ...	Bel. 35	22·30	20·97$\frac{1}{2}$	29·47$\frac{1}{2}$	29·27	29·21	29·14
Milan	Li. 92·46	59$\frac{5}{32}$	57$\frac{7}{8}$	60$\frac{11}{16}$	60$\frac{7}{16}$	60$\frac{5}{16}$	60$\frac{11}{16}$
Zurich ...	Fr. 25·22$\frac{1}{8}$	16·06	15·07$\frac{1}{2}$	15·21	15·17$\frac{1}{2}$	15·20$\frac{1}{2}$	15·16$\frac{1}{2}$
Stockholm ...	Kr. 18·16	19·40	19·40	19·39$\frac{1}{2}$	19·39$\frac{3}{4}$	19·39$\frac{3}{4}$	19·39$\frac{1}{2}$
Madrid ...	Ptas.25·22$\frac{1}{2}$	37$\frac{1}{8}$	36	36$\frac{7}{32}$	36$\frac{5}{32}$	36$\frac{5}{32}$	36$\frac{1}{16}$
Vienna... ...	Sch.34·58$\frac{1}{2}$	29*	26$\frac{1}{2}$*	26$\frac{1}{4}$	26$\frac{1}{4}$	26$\frac{1}{4}$	26
Prague... ...	Kr.164$\frac{1}{4}$‡	104$\frac{7}{8}$	117$\frac{15}{16}$	119$\frac{5}{8}$	119$\frac{3}{8}$	119$\frac{5}{16}$	119$\frac{1}{16}$
Buenos Aires ...	47·62d.	45†	28$\frac{15}{16}$†	15†§	15†§	15†§	15†§
Rio de Janeiro...	5·89d.	4$\frac{3}{8}$†	3$\frac{5}{8}$†	4$\frac{1}{4}$†	4$\frac{1}{4}$†	4$\frac{1}{4}$†	4$\frac{1}{4}$†
Valparaiso ...	Pes. 40	54·80†	48·50†	119‖*	118‖*	119‖*	119‖*
Bombay ...	18d.	18$\frac{1}{32}$d.	18$\frac{1}{16}$d.	18$\frac{1}{8}$d.	18$\frac{1}{8}$d.	18$\frac{1}{8}$d.	18$\frac{1}{8}$d.
Hong Kong ...	—d.	17$\frac{1}{8}$d.	19$\frac{1}{8}$d.	24$\frac{1}{8}$d.	24$\frac{3}{8}$d.	24$\frac{7}{8}$d.	24$\frac{5}{8}$d.
Kobe	24·57d.	1/2$\frac{1}{8}$	1/2$\frac{5}{16}$	1/2$\frac{3}{16}$	1/2$\frac{1}{8}$	1/2$\frac{5}{32}$	1/2$\frac{5}{32}$
Shanghai ...	—d.	15$\frac{3}{8}$d.	17$\frac{5}{8}$d.	18d.	18$\frac{1}{4}$d.	18$\frac{5}{8}$d.	18$\frac{1}{4}$d.
Gold price ...	per oz.	133s. 0d.	141s. 3d.	140s. 4d.	140s. 9$\frac{1}{2}$d.	140s. 11d.	141s.1d.
Silver price ...	per oz.	18$\frac{5}{16}$d.	22$\frac{5}{16}$d.	29$\frac{1}{8}$d.	29$\frac{3}{16}$d.	29$\frac{3}{16}$d.	29$\frac{3}{16}$d.

* Nominal. † Official Rate. ‡ Kr.197·10, since devaluation of Kroner on February 17th, 1934.
§ Prior to January 14th, 1935, rates represent pence per gold peso, henceforward paper pesos to the £.
‖ Revalued on January 1st, 1935; export rate.

PUBLIC REVENUE AND EXPENDITURE

	1931–32.	1932–33.	1933–34.	1934–35.	1934–35 to Sept. 22	1935–36 to Sept. 21
REVENUE—	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Income Tax	287·4	251·5	228·9	228·9	50·0	51·0
Sur-Tax	76·7	60·7	52·6	51·2	8·2	5·6
Estate Duties	65·0	77·1	85·3	81·3	39·1	45·1
Stamps	17·1	19·2	22·7	24·1	8·6	9·2
Customs	136·2	167·2	179·2	185·1	89·6	93·2
Excise	119·9	120·9	107·0	104·6	49·4	51·0
Motor Vehicles Duties (Exchequer Share)... ...	5·0	5·0	5·2	5·1	1·5	1·1
Other Tax Revenue	3·2	3·1	2·6	3·1	0·1	0·1
Total Tax Revenue	710·5	704·7	683·5	683·4	246·5	256·3
Post Office	11·5	10·9	13·1	12·3	8·1	6·6
Crown Lands...	1·3	1·2	1·2	1·3	0·6	0·6
Receipts from Sundry Loans	13·8	5·1	4·7	4·4	2·9	3·0
Miscellaneous Receipts ...	33·9*	22·9	22·1	15·1	6·9	11·0
Total Non-Tax Revenue ...	60·5	40·1	41·1	33·1	18·5	21·2
Total Ordinary Revenue ...	771·0	744·8	724·6	716·5	265·0	277·5
Post Office	58·0	59·3	59·3	61·8	26·4	28·7
Road Fund	22·5	22·9	25·5	26·4	7·9	6·9
Total Self-balancing Revenue ...	80·5	82·2	84·8	88·2	34·3	35·6
EXPENDITURE—						
National Debt Interest ...	289·5	262·3	212·9	211·6	105·6	104·4
Payments to N. Ireland ...	6·3	7·0	6·6	6·8	2·5	2·3
Other Cons. Fund Services ...	3·1	3·3	4·1	3·6	1·4	1·3
Post Office Fund	—	—	—	2·3	—	—
Supply Services	439·2	458·3	458·8	472·2	206·7	225·4
Total Ordinary Expenditure ...	738·1	730·9	682·4	696·5	316·2	333·4
Sinking Fund...	32·5	17·2	7·7	12·3	—	—
Payments to U.S. Govt. ...	†	29·0	3·3	—	—	—
Self-balancing Expenditure (As per contra)	80·5	82·2	84·8	88·2	34·3	35·6

* Includes Appropriation from Rating Relief Suspense Account.

† Included under National Debt Interest.

PRODUCTION

	Coal.	Pig-Iron.	Steel.
	Tons mill.	Tons thous.	Tons thous.
Total 1913	287·4	10,260	7,664
„ 1925	243·2	6,262	7,385
„ 1929	257·9	7,589	9,636
„ 1930	243·9	6,192	7,326
„ 1931	219·5	3,773	5,203
„ 1932	208·7	3,574	5,261
„ 1933	207·1	4,136	7,024
„ 1934	221·0	5,979	8,860
Total to August, 1934	145·4	3,930	5,892
Total to August, 1935	145·5	4,264	6,364

BOARD OF TRADE PRODUCTION INDEX NUMBER
(1930 = 100)

	1934.				1935.	
	Year.	2nd Qr.	3rd Qr.	4th Qr.	1st Qr.	2nd Qr.
Mines and Quarries	90·6	86·2	84·2	94·5	95·1	87·0
Iron and Steel	115·7	117·6	110·6	116·4	121·9	123·2
Non-Ferrous Metals	122·7	113·2	127·5	145·4	142·2	138·4
Engineering and Shipbuilding ...	94·0	92·3	92·5	102·4	105·7	102·9
Building Materials and Building ...	130·2	136·3	143·6	138·1	138·0	151·4
Textiles	113·1	111·2	107·1	116·7	119·0	116·8
Chemicals, Oils, etc.	105·4	104·6	102·4	105·0	109·3	108·6
Leather and Boots and Shoes	104·5	104·9	96·2	107·1	116·8	119·4
Food, Drink and Tobacco	101·8	102·5	101·3	107·2	98·2	107·2
Total*	105·8	104·6	103·2	111·8	113·0	111·2

* Includes paper and printing, gas and electricity, rubber, cement and tiles.

NOTE.—The previous figures have been revised.

UNEMPLOYMENT

(a) Percentage of Insured Workers

Date.	1928.	1929.	1930.	1931.	1932.	1933.	1934.	1935.
End of—								
January	10·7	12·3	12·4	21·5	22·4	23·1	18·6	17·7
February	10·4	12·1	12·9	21·7	22·0	22·8	18·1	17·5
March	9·5	10·0	13·7	21·5	20·8	21·9	17·2	16·5
April	9·5	9·8	14·2	20·9	21·4	21·3	16·6	15·7
May	9·8	9·7	15·0	20·8	22·1	20·4	16·2	15·6
June	10·7	9·6	15·4	21·2	22·2	19·4	16·4	15·5
July	11·6	9·7	16·7	22·0	22·8	19·5	16·7	15·4
August	11·6	9·9	17·1	22·0	23·0	19·1	16·5	15·0
September	11·4	10·0	17·6	22·6	22·8	18·4	16·1	
October	11·8	10·3	18·7	21·9	21·9	18·1	16·4	
November	12·2	10·9	19·1	21·4	22·2	17·9	16·4	
December	11·2	11·0	20·2	20·9	21·7	17·5	16·1	

(b) Actual Numbers Unemployed (in thousands)

	Mar., 1929.	Mar., 1932.	Mar., 1933.	Mar., 1934.	Aug., 1934.	Mar., 1935.	July, 1935.	Aug., 1935.
Number of Insured Persons unemployed—								
Wholly unemployed	920	2,129	2,205	1,814	1,589	1,727	1,509	1,522
Temporarily stopped	200	427	511	317	462	324	402	345
Normally in casual employment ...	84	104	105	94	84	92	81	83
Total...	1,204	2,660	2,821	2,225	2,135	2,143	1,992	1,950

RAILWAY TRAFFIC RECEIPTS

	Four weeks ended				Aggregate for 38 Weeks			
	Sept. 23, 1934.		Sept. 22, 1935.		1934.		1935.	
	Passengers.	Goods.	Passengers.	Goods.	Passengers.	Goods.	Passengers.	Goods.
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Great Western ...	1·0	1·2	1·0	1·1	7·9	10·5	8·1	10·5
London & North Eastern*	1·4	2·2	1·4	2·1	12·1	20·2	12·4	19·9
London Midland & Scottish	2·2	2·7	2·2	2·8	18·6	25·3	19·0	25·4
Southern	1·4	0·4	1·4	0·4	11·5	3·6	11·8	3·4
Total...	6·0	6·5	6·0	6·4	50·1	59·6	51·3	59·2

* The London & North Eastern Railway Returns are made up a day earlier each week than the other lines.

RETAIL TRADE

(from the Board of Trade Journal)

Change in value since same date in previous year

	August, 1932.	August, 1933.	August, 1934.	July, 1935.	August, 1935.
By CATEGORIES : Great Britain	%	%	%	%	%
Total	− 6·2	+ 0·2	+ 4·8	+ 6·7	+ 4·7
Food and Perishables	− 4·3	− 2·0	+ 4·6	+ 7·7	+ 7·1
Other Merchandise of which					
Piece-goods*	− 5·9	− 0·5	− 3·2	+ 1·5	− 4·7
(i) Household Goods ...	—	+ 3·8	+ 5·1	+ 4·8	− 7·0
(ii) Dress Materials... ...	—	− 0·8	− 9·1	− 1·0	− 2·9
Women's Wear*	−11·4	+ 2·4	+ 6·0	+ 7·0	− 0·7
(i) Fashion Departments ...	−14·8	+ 1·7	+ 9·4	+ 9·6	+ 1·7
(ii) Girls' & Children's Wear	−16·7	+ 4·2	+12·2	+ 8·2	− 4·0
(iii) Fancy Drapery... ...	− 8·9	+ 1·9	+ 2·7	+ 5·0	− 1·0
Men's & Boys' Wear	−12·2	+11·7	+ 2·8	+ 5·4	+ 5·7
Boots & Shoes	−14·1	+ 2·2	+ 5·7	+ 6·4	+ 4·8
Furnishing Departments ...	− 5·1	+ 4·2	+12·2	+ 4·5	+ 1·2
Hardware	+ 4·7	+11·6	+ 3·5	+ 9·1	+ 2·1
Fancy Goods	− 0·2	+ 2·9	+ 2·4	+ 5·8	+ 7·6
Sports and Travel	+ 1·3	+ 1·7	+ 4·4	+ 4·8	− 3·0
Miscellaneous and Unallocated	−10·5	− 6·5	+ 5·0	+ 7·0	− 3·4
By AREAS—					
All Categories—					
Scotland	− 6·6	− 1·1	+ 4·9	+ 5·3	+ 3·2
Wales & North of England ...	− 7·8	− 1·1	+ 4·5	+ 6·1	+ 5·3
South of England	− 5·3	+ 0·8	+ 4·3	+ 8·1	+ 6·9
London, Central & West End	− 3·6	+ 2·3	+ 5·4	+ 6·6	− 2·5
London, Suburban	− 5·5	+ 1·4	+ 6·3	+ 6·6	+ 5·8

* Including some goods which cannot be allocated to sub-headings.

OVERSEAS TRADE

Date.	Imports.				Exports.			
	Food.	Raw Materials.	Manufactured Goods.	Total.	Food.	Raw Materials.	Manufactured Goods.	Total.
Monthly Average—	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
1925	47·5	35·4	26·6	110·1	4·6	7·0	51·4	64·4
1929	44·6	28·3	27·9	101·7	4·6	6·6	47·8	60·8
1930	39·6	20·9	25·6	87·0	4·0	5·3	36·7	47·6
1931	34·7	14·4	21·8	71·8	3·0	3·9	24·3	32·6
1932	31·1	13·7	13·1	58·5	2·7	3·6	23·0	30·4
1933	28·4	15·0	12·6	56·3	2·4	3·8	23·4	30·6
1934	28·9	17·5	14·3	61·0	2·5	4·0	25·4	33·0
August, 1934... ...	27·3	17·6	14·7	60·0	2·4	3·6	25·1	32·1
August, 1935... ...	27·0	16·0	15·8	59·1	2·5	4·1	27·2	34·9

SOME LEADING IMPORTS

Date.	Wheat.	Iron Ore and Scrap.	Raw Cotton.	Raw Wool.	Hides, Wet and Dry.	Wood Pulp.	Rubber.	Iron and Steel Manufactures.
Monthly Average—	(thous. cwts.)	(thous. tons)	(thous. centals of 100 lbs.)	(thous. centals of 100 lbs.)	(thous. cwts.)	(thous. tons)	(thous. centals of 100 lbs.)	(thous. tons)
1925	8,071	373	1,578	606	155	103	163	227
1929	9,314	480	1,283	678	98	137	330	235
1930	8,731	363	1,011	652	108	128	326	243
1931	9,952	185	909	707	106	122	237	237
1932	8,803	159	1,048	765	105	153	176	133
1933	9,366	234	1,169	793	120	162	189	81
1934	8,554	392	1,054	659	116	187	395	114
August, 1934... ...	7,960	400	1,031	232	112	176	395	102
August, 1935... ...	7,041	403	618	391	128	193	363	74

SOME LEADING EXPORTS

	Coal.	Iron and Steel.	Machinery.	Cotton Yarns.	Cotton Piece-Goods.	Woollen Tissues.	Worsted Tissues.	Motor Cars.
Monthly Average—	(thous. tons)	(thous. tons)	(thous. tons)	(mill. lbs.)	(mill. sq. yds.)	(thous. sq. yds.)	(thous. sq. yds.)	(number)
1925	4,235	311	43	11·3	370	11,015	3,492	1,481
1929	5,022	365	47	11·8	306	9,016	3,490	1,991
1930	4,573	263	40	11·1	201	6,587	2,893	1,602
1931	3,563	165	27	11·4	143	4,694	2,479	1,429
1932	3,242	157	25	13·9	183	4,461	2,358	2,246
1933	3,256	160	23	15·8	169	5,110	2,741	2,821
1934	3,305	188	28	10·9	166	5,745	2,773	2,909
August, 1934... ...	3,268	193	26	10·2	169	7,671	3,343	2,085
August, 1935... ...	3,451	202	28	11·9	161	8,025	3,946	2,608

PRICES

1. WHOLESALE PRICES

Date.	Index Number (Sept. 16th, 1931 = 100).				
	U.K.	U.S.A.	France.	Italy.	Germany.
Average 1913	115·8	101·1	111·1	112·0	91·9
1925	177·9	152·3	154·1	148·9	130·2
1929	150·9	139·4	141·3	146·0	126·1
1930	129·3	125·1	124·3	125·0	103·8
1931	107·7	103·5	105·5	103·5	101·9
1932	103·5	89·3	92·0	93·1	88·7
1933	103·5	93·7	87·7	86·6	85·7
1934	106·4	111·1	83·1	84·2	90·4
End August, 1934 ...	108·0	113·8	82·0	84·0	92·0
„ July, 1935 ...	106·9	120·2	75·9	98·2	93·9
„ August, 1935 ...	107·4	122·2	77·5	101·8	94·1

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Générale; Italy, Italian Chamber of Commerce; Germany, Statistische Reichsamt.

2. RETAIL PRICES (cost of living)

Date.	Food.	Rent (including Rates).	Clothing.	Fuel and Light.	Other Items included.	All Items included.
End of 1925 ...	71	48	125	80–85	80	75
1929 ...	57	52	115	75	80	66
1930 ...	38	54	105	75	75	53
1931 ...	31	54	90	75	75	47
1932 ...	23	55	85	70–75	70–75	42
1933 ...	24	56	85	70–75	70–75	42
1934 ...	25	56	85–90	70–75	70–75	43
End August, 1934	26	56	85–90	70	70–75	43
„ July, 1935...	26	58	85–90	65–70	70	43
„ August, 1935	25	58	85	65–70	70	43

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date.	Wheat No. 1 N. Manitoba.	Sugar Centrifugals U.K.	Cotton American Middling.	Wool 64's tops avge.	Pig-Iron, Cleveland No. 3.	Tin, Standard Cash.	Rubber, Plantation Sheet.
	per qr. s. d.	per cwt. s. d.	per lb. d.	per lb. d.	per ton s. d.	per ton £	per lb. d.
Average 1913 ...	36 10	—	7·01	29 3/16	58 1½	—	36¾
1925 ...	66 4⅛	12 9	12·65	54 15/16	72 9¾	261 3/32	34 5/16
1929 ...	54 0¾	9 0½	10·29	38⅝	70 4¼	203 15/16	10½
1930 ...	40 1¾	6 7	7·44	26⅝	67 0	142⅝	5 13/16
1931 ...	28 2¾	6 4¾	5·08	23 1/16	58 7	118⅝	3⅝
1932 ...	30 6¼	5 9⅛	5·29	22 1/16	58 6	136 3/32	2 5/16
1933 ...	28 2	5 4	5·53	28 5/16	62 3	194 15/16	3¼
1934 ...	30 11	4 8⅛	5·66	30 11/16	66 10½	230	6 5/16
August, 1934 ...	35 8¼	4 9⅛	7·12	26 7/16	67 6	228 1/32	7⅝
July, 1935 ...	31 4⅜	4 4⅛	6·89	30 5/16	67 6	232⅝	5⅞
August, 1935 ...	34 2¼	4 4¼	6·53	30 5/32	67 6	223½	5 11/16

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